

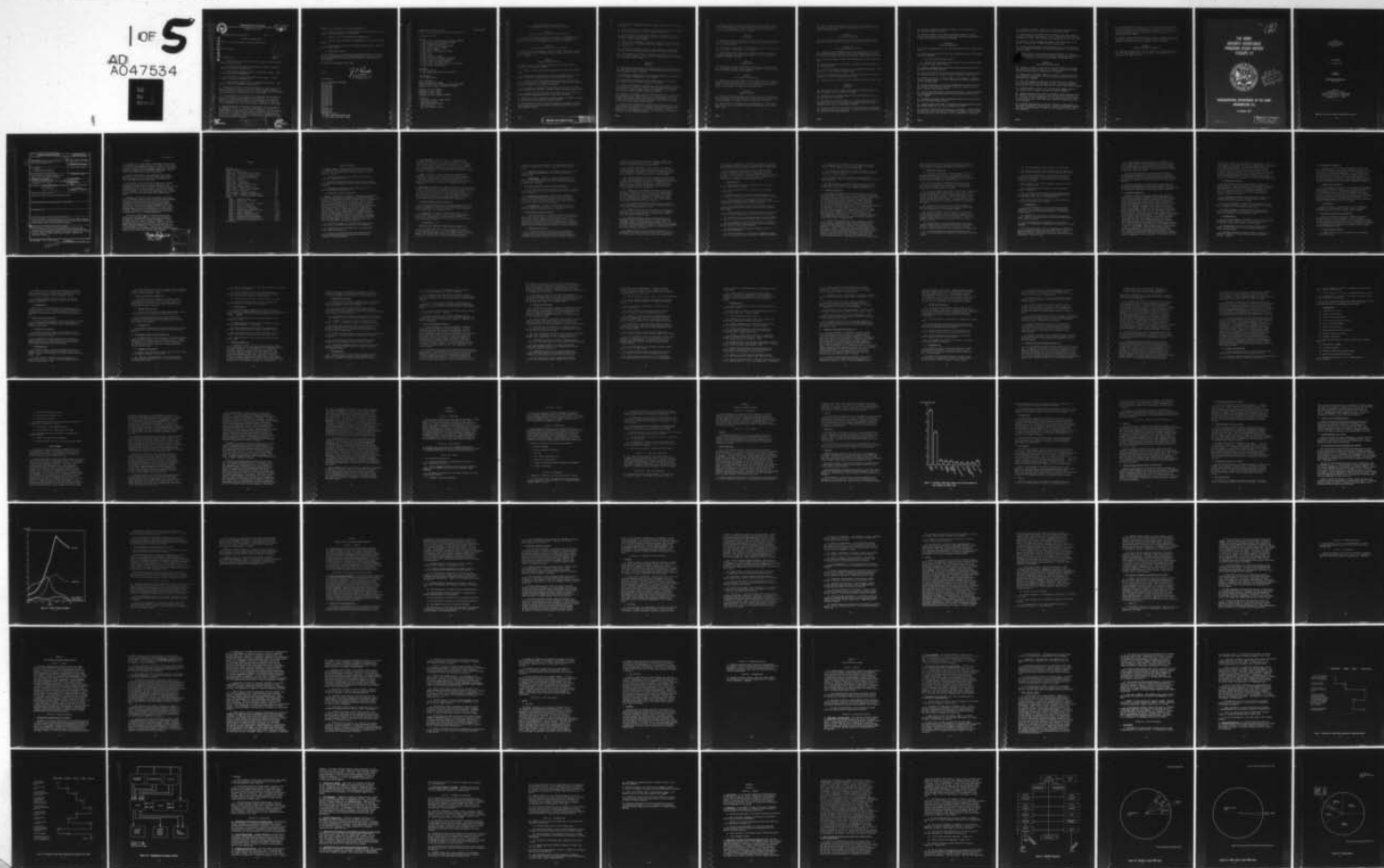
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ARMY SECURITY ASSISTANCE PROGRAM STUDY GROUP ALEXAND--ETC F/6 15/7  
THE ARMY SECURITY ASSISTANCE PROGRAM STUDY REPORT (TASAPS - 77)--ETC(U)  
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DEPARTMENT OF THE ARMY  
OFFICE OF THE ADJUTANT GENERAL AND THE ADJUTANT GENERAL CENTER  
WASHINGTON, D.C. 20314

HQDA Ltr 380-77-7

2

DACS-DMS (M) (5 December 1977)

8 DEC 1977

Expires 5 December 1978

SUBJECT: The Army Security Assistance Program Study

SEE DISTRIBUTION

References:

a. HQDA Ltr 380-77-2, dated 4 April 1977, subject: Army Security Assistance Program Study.

b. HQDA Ltr 380-77-4, dated 31 October 1977, subject: Security Assistance Management Reorganization.

c. HQDA (DALO-ILS) Message, dated 31 October 1977, subject: Army Security Assistance Reorganization.

d. HQDA Ltr 12-77-1, dated 15 November 1977, subject: Security Assistance Management Reorganization.

e. HQDA (DALO-ZC) Message, dated 19 November 1977, subject: Army Security Assistance Management Reorganization.

2. Reference 1a provided for the establishment of a study group to conduct a comprehensive review of the Army Security Assistance Program. References 1b thru 1e pertain only to the Army Security Assistance management reorganization, which was one aspect of the study.

3. On 28 November 1977, The Army Security Assistance Program Study Report, in its entirety, was presented to the VCSA (incl 2). The VCSA approved the study, directed that all recommendations be implemented, and that periodic In-Process Reviews (IPRs) be conducted on the status of the recommendations. The first IPR will be scheduled for March 1978.

4. Agencies/commands having primary responsibility for recommendations are designated at incl 1. Other agencies/commands listed after the recommendations in the report will assist as required. Agencies/commands having primary responsibility will prepare an implementation plan and participate in the IPRs as requested by the ADCSLOG. An implementation plan for each recommendation will be submitted to the ADCSLOG by 10 Jan 78 and will include as a minimum:

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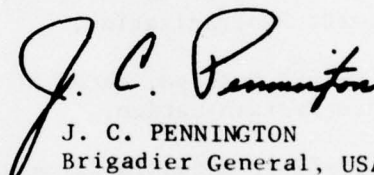
SUBJECT: The Army Security Assistance Program Study

- a. Planned start date for implementation (if already underway, completed, or no action required so indicate);
- b. Completion date for implementing recommendation;
- c. Milestone chart reflecting interdependency of actions where appropriate;
- d. Staff/command action officer (provide name and phone to DALO-ZC by 21 December 1977);
- e. Coordination required.

5. The ADCSLOG will be responsible for coordinating the IPRs and monitoring the implementation of all recommendations. Questions concerning the attached study and the IPRs should be directed to HQDA, DALO-ZC, Auto 224-3762.

BY ORDER OF THE SECRETARY OF THE ARMY:

2 Incl  
as

  
J. C. PENNINGTON  
Brigadier General, USA  
The Adjutant General

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Approved TASAPS Recommendations and  
Commands/Agencies Responsible for Implementation

CHAPTER 3  
National Security Assistance Program Overview

1. Continue to support initiatives to bring about a State/DOD/JCS committee to address problems raised and to consider the recommendations made in the JCS Security Assistance Planning Study. (ODCSOPS)

CHAPTER 4  
Army Security Assistance Program Overview

2. Continue to provide complete, timely and candid comment and recommendations in both the joint planning and policy arenas of security assistance. (ODCSLOG)

CHAPTER 5  
Foreign Military Training

3. TRADOC retain its current responsibilities for foreign military training and in addition: (TRADOC)
  - a. Prepare DD Form 1513's for Foreign Military Sales (FMS) training cases.
  - b. Establish and staff a central financial management office at HQ TRADOC for training provided by the security assistance program.
  - c. Staff an element at the Washington Field Office of the US Army Security Assistance Center (USASAC) to facilitate identification, development and coordination of training requirements.
  - d. Provide all training Military Articles and Services List (MASL) update information for US Army to Defense Security Assistance Agency (DSAA).
  - e. Prepare and execute FMS and International Military Education and Training (IMET) requirements for MTTs, TATs, FSTs, and TAFTs.
4. Approve and allocate additional manpower resources to TRADOC to support its increased security assistance mission (ODCSOPS).
5. Seek legislative relief to allow procurement of equipment to conduct CONUS training for multiple nations using monies generated by asset-use-type charges (ODCSOPS).

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6. Determine the appropriate agency to manage the School of the Americas (DCSOPS).
7. Develop procedures, in coordination with DARCOM and TRADOC, to improve the training requirement forecasts by MAAGs/ODCs (ODCSOPS).
8. Direct that the US Army Security Assistance Agency Latin America (USASAALA) forward training program changes to HQ TRADOC for entry into the master program record (DARCOM).
9. Determine the feasibility of training US students in foreign schools on a "quid pro quo" or exchange basis with foreign students in similar US courses (ODCSOPS).
10. Request the Joint Staff develop a joint regulation to standardize security assistance administrative procedures for training (ODCSOPS).
11. Make maximum use of contractor supplied training for large contingents of foreign students or for training on equipment that is being phased out of the Army system (TRADOC).

#### CHAPTER 6 Logistics

12. Meet foreign requirements using existing performing command/agencies; and standardize security assistance administrative procedures for all performing commands/agencies (DARCOM).
13. Decentralize responsibility for price and availability determination at the performing command/agency level (DARCOM).
14. The executive agent develop total package concept in coordination with TRADOC and other agencies as required (ODCSLOG).
15. Follow-up and implement recommendations made in the Engineer Studies Group report (April 1977) on "Security Assistance Repair Part Support" sufficiently to assure adequate repair parts support in the future for both Army and foreign customer requirements (DARCOM).
16. Maintain a centralized, integrated data base in DARCOM to permit program management, to include financial, at the requisition, line, case, country and worldwide levels; and formalize the requirements for maintaining data for all aspects (TRADOC, DLA/GSA, TAG, USACC, TSC and OCE) of the security assistance program (DARCOM).
17. Develop policy governing the preparation and implementation of personnel services team LOAs such as Technical Assistance Teams (TAT); and assign TRADOC responsibility, in coordination with other agencies as required, for LOA preparation, selection and deployment of team members and action on final reports (ODCSLOG).

18. Develop a single security assistance policy and procedural publication incorporating all essential items now contained in Army regulations or other publications, but not duplicating the DSAA Military Assistance and Sales Manual (MASM) (ODCSLOG).

#### CHAPTER 7 Acquisition

19. Establish follow-up procedures to assure that authorized recoupments on direct commercial sales are actually collected and replaced in the proper accounts (DARCOM).

20. Decentralize responsibility for price and availability determination at the performing command/agency level (DARCOM).

21. Establish procedures which offer planning assistance and planned production schedules for conventional ammunition to each customer as approved by OSD/DSAA (ODCSLOG).

#### CHAPTER 8 Transportation

22. Establish an internal transportation cell in the Washington Field Office of USASAC to assist foreign clients and USASAC in the administration of security assistance cases (DARCOM).

#### CHAPTER 9 The Surgeon General Services

23. AMEDD activities accomplishing security assistance actions routinely report the value and number of actions accomplished during a designated period. Report should be submitted to the central coordination point within the Directorate of Health Care Operations (TSG).

#### CHAPTER 10 Engineer Services

24. Continue to employ procedures developed by the Corps of Engineers under the Engineer Assistance Agreement of 1965, and as extended to 1978, in the management of the Saudi Arabian construction program (COE).

25. Obtain OSD/ISA - DSAA approval for presentation of a single annual case to cover Corps of Engineers management service expenses in Saudi Arabia (COE).

26. Employ standard FMS procedures in future Corps of Engineers security assistance programs, other than in those covered by existing country-to-country agreements (COE).

#### CHAPTER 11 Communications Services

27. Collocate USACC personnel possessing the necessary communications expertise with the DA Executive Agent for security assistance (DARCOM).

#### CHAPTER 12 The Adjutant General Services

28. Revamp and improve DARCOM/Executive Agent procedures for interfacing with non-DARCOM commands and activities on case implementation, control of delegation authority, billing, and master data record keeping (DARCOM).

29. Process publications delivery billing transactions upon presentation (MDW).

30. Modify management and case control procedures to provide better program management (TAG).

31. Price out publication orders prior to presentation to MDW F&AO. This function should be computer supported (TAG).

32. Service requisitions on a fill or kill basis and notify customers to reorder at a specified availability date (TAG).

33. Initiate action to close out FY 77 and prior fiscal year cases (TAG).

#### CHAPTER 13 Personnel

34. Refine and modify the Army Security Assistance Manpower Report to reflect manpower totals by category (DARCOM).

35. Initiate action to exempt manpower spaces exclusively devoted to security assistance (ODCSPER).

36. Preview TAFT requirements prior to DA concept approval in order to determine impact and offer alternatives for those teams which impact adversely on US Army units/activities (ODCSOPS).

37. Revise the provisions of AR 795-13 to include specific responsibilities and procedures for administering, accounting and billing for Technical Assistance Field Teams (ODCSOPS).



38. Initiate a program to identify and manage civilian employees in International Logistics (ODCSPER).

39. Include training in the financial management aspects of foreign military sales in Army courses for finance and comptroller personnel and in Army and DOD courses for managers (ODCSPER).

#### CHAPTER 14 Financial Management

40. Expedite implementation of the Army Program Fund Control System (PFCS) (COA).

41. Centralize the control of trust fund obligation authority with USASAC Comptroller (DARCOM).

a. Place under general ledger control.

b. Implement the Army Customer Order Control System - FMS (ACOCS-FMS) as the general ledger control system.

42. Expedite implementation of ACOCS-FMS and integrate with the DA Program Fund Control System (DARCOM).

43. Consider reconciliation and reporting requirements in PFCS and ACOCS-FMS system design and in all modifications to existing systems (COA).

44. Continue to utilize contractor support in development of financial systems and modifications of existing systems when in-house capabilities are not available (COA).

45. Request authority to use automatic reimbursement procedures for all FMS customer orders (PFCS and ACOCS-FMS provide for adequate control of Army's customer order program) (COA).

46. Improve trust fund advance and billing procedures to readily identify the Army appropriations being reimbursed and the liquidation of the advances (DARCOM).

47. Implement the Supply Support Arrangements provisions of AR 37-38, as revised by COA instructions (DARCOM).

48. Continue efforts with DSAA to eliminate the Army appropriations from the funding channel for over ocean transportation (COA).

49. Continue current billing procedures for six months. Analyze billing system at the end of this period to determine the adequacy of this system vs validation of all bills at USASAC prior to submission to SAAC (COA).

50. Establish a system to ensure that all interfund transactions are cleared between the payee (SAAC) and the seller (Army) (COA).
51. Resolve military assistance mission agreements with Latin American countries concerning reimbursement of costs. Establish proper accounting procedures to ensure correct billing and reimbursement for all costs (COA).
52. Establish central financial management of the IMET program at HQ TRADOC. Allocate funds to TRADOC for this purpose (COA).
53. Clarify regulations which contain ambiguities on staff responsibilities for financial management, and eliminate duplication in staff responsibilities (COA).
54. Intensify effort to improve professional capability of financial management personnel on the DA Staff and MACOMs through job classification, personnel selection, and education requirements and programs (COA).

#### CHAPTER 15 Management Information/Data

55. Continue to operate a centralized integrated computer based management information system and maintain the office of record for the Army Security Assistance Master Program Data File (DARCOM).
56. Require other performing commands and agencies input all required data to USASAC for inclusion in the Army Security Assistance Master Program Data Record (DARCOM).
57. Place more emphasis on data base maintenance and stress accuracy of data on an equal basis with timeliness of data. Recurring systematic reconciliation with the SAAC and ICPs must be a part of this effort (DARCOM).
58. Establish positive control over ICP/performing command generated error transactions to ensure correction and reentry (DARCOM).
59. Analyze delivery billing errors to determine volume source and cause and undertake corrective action not later than the end of calendar year 77. Corollary to this recommendation is that USASAC assume full responsibility for the accuracy of all Army case-related delivery/billing transactions (DARCOM).
60. Following implementation of security assistance organizational and functional realignment by the HQDA staff, reassess the management information needs of HQDA elements to ensure they are compatible with revised roles (ODCSLOG).

61. Devote additional ADP resources to the maintenance and enhancement of the CISIL system. These resources must be allocated so that only absolute minimum essential maintenance be performed on the existing application software and the full scale urgent effort be concentrated on a replacement system (DARCOM).

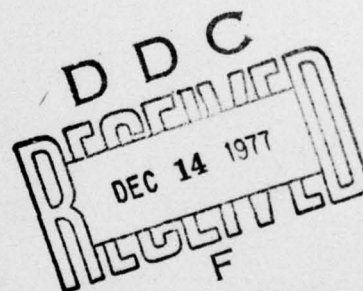
62. Design a replacement computer based system which capitalizes on the centralized concept of CISIL, but embraces current hardware, applications software, system procedures and management practices (DARCOM).

CHAPTER 16  
Organization/Program Management

63. Implement recommendations in this chapter in accordance with reference 1b of this letter. The status of these recommendations will be included in the IPRs (ODCSLOG).

2

THE ARMY  
SECURITY ASSISTANCE  
PROGRAM STUDY REPORT  
(TASAPS 77)



HEADQUARTERS, DEPARTMENT OF THE ARMY  
WASHINGTON, D.C.

31 October 1977

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The Army  
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(TASAPS-77)

FINAL REPORT

31 October 1977

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Department of the Army  
Office of the Director of Management  
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4. TITLE (and Subtitle) The Army Security Assistance Program Study Report (TASAPS - 77)		5. TYPE OF REPORT & PERIOD COVERED Final rept. 7 Mar 77 - 31 Oct 77
7. AUTHOR Colonel Frederick J. Siebert		8. CONTRACT OR GRANT NUMBER(s)
9. PERFORMING ORGANIZATION NAME AND ADDRESS The Army Security Assistance Study Group Office of the CSA, Hoffman I Building Alexandria, VA 22332		10. PROGRAM ELEMENT, PROJECT, TASK AREA & WORK UNIT NUMBERS 000 F07G439
11. CONTROLLING OFFICE NAME AND ADDRESS DA OCSA, Management Directorate, DACSDM Washington, D. C. 20310		12. REPORT DATE 31 Oct 77
14. MONITORING AGENCY NAME & ADDRESS (if different from Controlling Office) 12481p.		13. NUMBER OF PAGES 490
16. DISTRIBUTION STATEMENT (of this Report) Approved for Public release; Distribution unlimited		15. SECURITY CLASS. (of this report) UNCLASSIFIED
17. DISTRIBUTION STATEMENT (of the abstract entered in Block 20, if different from Report)		
18. SUPPLEMENTARY NOTES		
19. KEY WORDS (Continue on reverse side if necessary and identify by block number) Security assistance, international logistics, international military education and training, Army security assistance programs, foreign military training, foreign military sales, military assistance program.		
20. ABSTRACT (Continue on reverse side if necessary and identify by block number) An examination, evaluation, and recommendations on Army security assistance objectives; planning; programming; decision-making; organizational structure; distribution of functions; personnel; administration, training, logistical, billing, and financial policies; procedures, methods, and information systems.		

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31 October 1977

### Foreword

On 2 March 1977, I was called to the Pentagon and was directed by the Director of Management, Office of the Chief of Staff, Army, to establish a study group without delay, to conduct a comprehensive review of the Army's security assistance program, and to recommend appropriate organizational and management improvements. The report that follows is the result of that mission.

Like all study reports, it will please some and, perhaps, anger others. I only ask the reader to keep an open, positive mind and be objective, for it was within this framework that study team members performed their tasks.

You will note as you read through the report the occasional interchange of Executive Agent, USAILCOM, and USASAC. This resulted from the decision of the VCSA to implement the organizational recommendations prior to the study ending. We studied the real world and the text is therefore largely related to pre 1 November 1977 relationships. The intent was to assign appropriate responsibilities to the executive agent whose action element is the USASAC.

Admittedly, the report is short on accolades. This should not be interpreted to mean that Army security assistance management is all bad. The notion could not be further from the truth. Throughout the entire course of the study, all team members were gratified to observe many effective management activities taking place. We met many outstanding personnel, civilian and military alike, who are totally dedicated to the Army's security assistance mission and whose performances were truly deserving of praise. The nature of the study, however, dictated emphasis on shortcomings in order to address improvements.

I ask you to read the report, not as an end unto itself, but as a step in working together to resolve our problems and concomitantly, implement more effective management procedures throughout the Army's security assistance community. It is in that spirit that this report is submitted. Finally, I gratefully acknowledge the generous support of the DA staff agencies, the MACOMS, performing commands and field activities who contributed to the development of the report. A special note of thanks is extended to Mrs. Ruth Gullette without whose extraordinary secretarial support the final report would not have been completed.

*Frederick J. Siegel*  
FREDERICK J. SIEGEL  
Colonel, Infantry  
Chairman, TASAPS-77

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## Contents

Foreword . . . . .	vii
Executive Summary . . . . .	1
Chapter One - Introduction . . . . .	1-1
Chapter Two - Security Assistance Situation . . . . .	2-1
Chapter Three - National SA Program Overview . . . . .	3-1
Chapter Four - Army SA Program Overview . . . . .	4-1
Chapter Five - Foreign Military Training . . . . .	5-1
Chapter Six - Logistics . . . . .	6-1
Chapter Seven - Acquisition . . . . .	7-1
Chapter Eight - Transportation . . . . .	8-1
Chapter Nine - Surgeon General Services . . . . .	9-1
Chapter Ten - Engineer Services . . . . .	10-1
Chapter Eleven - Communications Services . . . . .	11-1
Chapter Twelve - Adjutant General Services . . . . .	12-1
Chapter Thirteen - Personnel . . . . .	13-1
Chapter Fourteen - Financial Management . . . . .	14-1
Chapter Fifteen - Management Information/Data . . . . .	15-1
Chapter Sixteen - Organization/Program Management . . . . .	16-1
Annexes	
Annex A - Glossary of Terms . . . . .	A-1
Annex B - Abbreviations & Acronyms . . . . .	B-1
Annex C - CSM 77-5-10 . . . . .	C-1-1
Annex D - TASAPS-77 Charter HQDA Ltr 380-77-2 . . . . .	D-1-1
Annex E - Activities Contacted . . . . .	E-1-1
Annex F - Study Group Organization . . . . .	F-1-1
Annex G - Primary Study Group Members . . . . .	G-1-1
Annex H - COA Financial Implementation Team . . . . .	H-1-1
Annex I - Financial Management . . . . .	I-14-1
Annex J - TASAPS - Memorandum on Policy . . . . .	J-16-1
Annex K - Functional Responsibilities . . . . .	K-16-1
Annex L - Organization/Program Management . . . . .	L-16-1
Annex M - DAS Memorandum on Organization . . . . .	M-16-1
Annex N - Organization Implementation Letter . . . . .	N-16-1
Distribution . . . . .	xi

#### EXECUTIVE SUMMARY

1. Purpose of Study. The Army Security Assistance Program Study Group (TASAPS-77) was established by the Chief of Staff, US Army, on 2 March 1977 to examine the Army Security Assistance Program with a view towards:

a. Identifying requirements for organizational interfaces of security assistance activities;

b. Identifying management/information data required by HQDA staff elements and all MACOMs involved in security assistance program management;

c. Recommending an optimum security assistance structure and other management improvements; and

d. Recommending collateral improvements.

2. General. The planning, development, coordination, administration, and financial management of the Army security assistance program are highly complex operations involving virtually all major headquarters, commands, and field activities of the US Army. Moreover, these highly complex operations involve an intricate chain of carefully managed and regulated activities ultimately designed to support US foreign policy. Fundamental to any objective inquiry into security assistance activities of the Army is the need to understand two basic premises. First, security assistance, to include foreign military sales, is not in competition with the Army's mission. Security assistance is an Army mission. It complements the Army's defense role and supports national policy decisions. Secondly, upon receipt of a mission to provide a defense article or service, and concomitant with its execution of the DD Form 1513 or MAP/IMET order, the Army assumes, in consonance with its mission, three basic responsibilities. The Army is obligated to:

a. Provide the foreign client the best goods, services, and training that it can within the constraint of the commitment;

b. Administer the case or MAP/IMET order in a fashion that brings credit to the Army; and

c. Account for the goods, services, and training that the foreign client has contracted to purchase or which have been committed to them under MAP/IMET.

3. The Study Group. Chaired by Col. F. J. Siebert and under the HQDA staff supervision of the Director of Management, OCSA, the study group consisted of 12 military officers, four professional grade civilians, and three administrative personnel. On 17 August 1977, the COA sponsored Implementation Team for Financial Management was collocated with the study group and assigned the additional task of assisting TASAPS-77 in addressing security assistance financial management. (Chapter 1)

4. Scope. The scope of the study included an examination and evaluation of the Army security assistance objectives; planning; programming; decision-making; organizational structure; distribution of functions; personnel; administration, training, logistical, billing, and financial policies; procedures, methods, and information systems; control, and the application of management processes. (Chapter 1)

5. Methodology. Through personal interview, visits to field activities, briefings, and examination of documents, historical records, investigative reports, current and anticipated actions, and other relevant sources, the study group defined specific problem areas within assigned functional areas of responsibility. The study group further developed areas of problem analysis, formed tentative hypotheses, collected additional relevant information, conducted analyses of the data, and developed conclusions and recommendations. (Chapter 1)

6. Security Assistance Situation (Chapter 2).

a. This chapter provides a brief regional assessment of security assistance and explains the historical and legislative development of security assistance, to include the implications of the International Security Assistance Acts of 1976 and 1977.

b. Conclusion. The chapter forecasts that foreign clients will continue to look to the US for their military equipment needs because of the higher quality of American defense products and that overall, worldwide programs have peaked and will decline slightly over the next several years.

c. Recommendations. None

7. National Security Assistance Program Overview, (Chapter 3).

a. This chapter examines the national structure for security assistance and discusses the JCS Security Assistance Planning Study. The JCS study addressed shortcomings in the budget process, legislation, education and training, MAAGs and unified commands, procedures, planning data, and timing, all of which affect security assistance

planning and proposed establishment of a State/DOD/JCS committee to review recommendations of the JCS study and facilitate improvements.

b. Findings and Conclusions. The TASAPS-77 study group concurs in the findings and conclusions of the JCS Security Assistance Planning Study.

c. Recommendation. Continue to support initiatives to bring about a State/DOD/JCS committee to address problems raised and to consider the recommendations made in the JCS Security Assistance Planning Study. (ODCSOPS)

8. Army Security Assistance Program Overview, (Chapter 4).

a. This chapter describes how the Army is structured to accomplish its security assistance mission and addresses the policy and planning role of the Army.

b. Findings and Conclusions. Complete, timely and candid comments and recommendations are essential in both the planning and policy arenas of security assistance if Army is to carry out its security assistance responsibilities without significant interference with overall mission accomplishment.

c. Recommendations. Continue to provide complete, timely and candid comment and recommendations in both the joint planning and policy arenas of security assistance. (ODCSLOG)

9. Foreign Military Training (Chapter 5).

a. Training provided by the security assistance program continues to be a most effective means of establishing contact and developing rapport with potential military leaders of other nations. It is an essential factor in introducing new equipment into a foreign country and in assisting allies to operate and maintain US equipment. TRADOC currently serves as the executive agent for DA for organizing and executing all foreign military training using CONUS Army resources.

b. Findings and Conclusions.

(1) No single entity within the Army has the responsibility for defining detailed training requirements and developing the requisite plans to support approved security assistance objectives. To simplify and improve the administration of security assistance



training, the responsibility should be assigned to TRADOC. The need to inform client countries of the requirements for advance planning of training must be institutionalized.

(2) Currently, development of materiel cases is assigned to DARCOM and some of these cases include training. There is a need to involve TRADOC at the onset to ensure that training implications are recognized and considered at the onset of the development of materiel cases if the total package concept is to be viable.

(3) Contractor support for security assistance training should be used to the maximum extent possible. Plans should be developed to phase CONUS training from the US Army Training base into contractor operated activities wherever appropriate. In particular, this should be done for foreign countries which require training on items of equipment that were purchased from the Army and which have been phased out of the US inventory.

(4) Presently, the law has been interpreted to mean that US monetary instruments must be received for every foreign student who attends a US-provided course of instruction; yet US students are attending courses in foreign military schools at no cost to the US. It appears that an exchange on a "quid pro quo" basis could be arranged without violation of the law. Such a program would improve relations with client countries.

(5) The Automatic Data Processing (ADP) system that supports security assistance is a logistical system and requires modification to accommodate training and services data.

(6) A TRADOC training cell must be assigned to the Washington Field Office of the US Army Security Assistance Center (USASAC) to assure that training implications are recognized and considered in the development of materiel cases.

(7) Several agencies have similar responsibilities for the management of Mobile Training Teams (MTT), Technical Assistance Field Teams (TAFT), and Technical Assistance Teams (TATS). The requirement definition and predeployment preparation are very similar, yet several different agencies are involved. More effective management and control could be achieved by assigning the responsibility for MTIs, TAFTs and TATs to one agency.

(8) TRADOC provides all of the detailed information for the preparation of the Letter of Offer, DD Form 1513, on training cases and training lines in materiel cases, but does not prepare them

in final form. Assignment of responsibility to TRADOC for training case preparation and for execution of training lines and cases should improve management within the Army and preclude loss of reimbursement.

(9) The problems associated with having a separate security assistance regulation for each service increases the probability of errors in program initiation and could cause personnel from the MAAG or Office of Defense Coordination (ODC) problems in preparing documentation. Therefore, a single tri-service regulation should be developed to standardize training administration.

c. Recommendations.

(1) TRADOC retain its current responsibilities for foreign military training and in addition:

(a) Prepare DD Form 1513's for Foreign Military Sales (FMS) training cases.

(b) Establish and staff a central financial management office at HQ TRADOC for training provided by the security assistance program.

(c) Staff an element at the Washington Field Office of the US Army Security Assistance Center (USASAC) to facilitate identification, development and coordination of training requirements.

(d) Provide all training Military Articles and Services List (MASL) update information for US Army to Defense Security Assistance Agency (DSAA).

(e) Prepare and execute FMS and International Military Education and Training (IMET) requirements for MTTs, TATs, FSTs, and TAFTs.

(2) Approve and allocate additional manpower resources to TRADOC to support its increased security assistance mission (DAS/ODCSOPS).

(3) Seek legislative relief to allow procurement of equipment to conduct CONUS training for multiple nations using monies generated by asset-use-type charges (ODCSLOG/ODCSOPS).

(4) Determine the appropriate agency to manage the School of the Americas (ODCSOPS).

(5) Develop procedures, in coordination with DARCOM and TRADOC, to improve the training requirement forecasts by MAAGs/ODCs (ODCSOPS).

(6) Direct that the US Army Security Assistance Agency Latin America (USASAALA) forward training program changes to HQ TRADOC for entry into the master program record (DARCOM).

(7) Determine the feasibility of training US students in foreign schools on a "quid pro quo" or exchange basis with foreign students in similar US courses (ODCSOPS).

(8) Request the Joint Staff develop a joint regulation to standardize security assistance administrative procedures for training (ODCSOPS/ODCSLOG).

(9) Make maximum use of contractor supplied training for large contingents of foreign students or for training on equipment that is being phased out of the Army system (TRADOC/DARCOM/DA Staff).

10. Logistics (Chapter 6).

a. International Logistics is the logistics part of the security assistance program; however, since it is the logistical infrastructure and systems which are used for overall security assistance administration and control, the term "International Logistics" has often been used synonymously with security assistance. Chapter 6 describes not only how the logistics part of the program is accomplished, but it also addresses how the logistics infrastructure is used for the overall administration and control of the program. Essentially, the logistics part of the program is the part for which DARCOM is responsible. In terms of workload, this is by far the largest part of the overall program. For example, 83.1% of the over 6,000 open FMS cases are DARCOM cases. This represents 98.3% of the undelivered dollar value (\$11.5 billion) of all open FMS cases other than Corps of Engineer cases. In terms of personnel dedicated to the DARCOM mission, 43.2% of all security assistance personnel spaces (2036 of 4712) are DARCOM spaces.

b. Chapter 6 also describes the various management techniques which are used to superimpose foreign customer requirements upon the existing Army infrastructure under existing restraints and examines the effectiveness and efficiency of existing organizational interfaces. It was the study of the logistics infrastructure; the wide range of options in interfacing the Army with OSD and interfacing the Army staff and the performing commands; and the designation of functions to be performed by each, that largely led to the Study Group's conclusions on how the Army should be organized for the security assistance mission. Consequently, much of the organizational



aspects and the problems which stem from the current organization, such as duplication of effort among Army staff elements and between the Army staff and USAILCOM, are developed in this chapter.

c. Findings and Conclusions.

(1) There is no International Logistics system, per se other than various administrative offices. IL requirements for materiel and services are handled by the same organizations, procedures and systems used to support Army requirements. Foreign requirements should continue to be met using existing systems.

(2) Security assistance requirements, and actions related thereto are of such magnitude, intertwined with and reliant upon Army systems that imposing significant change at the performing command level is neither needed nor feasible.

(3) The "total package" approach has not been formally implemented. It is not feasible to apply total package to every request. Rather it should be regarded as a principle of doing security assistance business and selectively applied. To make "total package" a viable concept, the Army staff must be prepared to divert support items as may be needed from its own programs. A DA executive agent should have overall responsibility for package development in coordination with TRADOC.

(4) Responsibility for price and availability determination should continue to be decentralized to the commodity command level. This fixes responsibility at the commodity command.

(5) For the foreseeable future, the areas of effort requiring the most management attention are the large dollar programs for certain developing countries, and the provision of adequate follow-on support without impact on U.S. Army requirements. A significant demand for rebuild services for major items could occur within the next two years.

(6) Although there is a recurring requirement for Technical Assistance Teams (TATs), Technical Assistance Field Teams (TAFTS), and other personnel services under FMS, there are no published DA policy or procedures which govern LOA preparation or implementation.

(7) A centralized data base should be maintained to permit country level and worldwide-level management of the security assistance program.

- (8) FMS case management should continue to be centralized.
- (9) Duplication of effort between CASA and the DIL and between the DIL and the USAILCOM-WFO is the principal organizational problem.
- (10) DA staff should develop a single policy and procedural publication incorporating all essential items now contained in various other publications. There is also need for a tri-service regulation for training.
- (11) DA staff role in security assistance should be restricted to overall program policy.
- (12) A single DA executive agency for security assistance should be established.
- (13) The executive agency should be interfaced directly with DSAA and the foreign clients for implementation, administration and management of FMS cases and approved MAP/IMET.
- (14) DA staff focal point for security assistance should be interfaced with DSAA for policy matters.

d. Recommendations.

- (1) Foreign requirements be met using existing performing commands/agencies; and that security assistance administrative procedures for all performing commands/agencies be standardized. (Executive Agent)
- (2) Responsibility for price and availability determination should continue to be decentralized at the performing command/agency level. (Executive Agent)
- (3) The executive agent be responsible for total package development in coordination with TRADOC and other agencies as required. (ODCSLOG)
- (4) The executive agent follow-up and implement recommendations made in the Engineer Studies Group report (April 1977) on "Security Assistance Repair Part Support" sufficiently to assure adequate repair parts support in the future for both Army and foreign customer requirements. (Executive Agent)

(5) A centralized, integrated data base be maintained by the executive agent to permit program management, to include financial, at the requisition, line, case, country and worldwide levels; and that the requirements for maintaining data for all aspects (TRADOC, DLA/GSA, TAG, USACC, TSG and OCE) of the security assistance program be formalized. (Executive Agent)

(6) The DA staff develop policy governing the preparation and implementation personnel services team LOAs such as Technical Assistance Teams (TAT); and that TRADOC by assigned responsibility, in coordination with other agencies as required, for LOA preparation, selection and deployment of team member and action on final reports. (ODCSLOG)

(7) The DA staff develop a single security assistance policy and procedural publication incorporating all essential items now contained in Army regulations or other publications, but not duplicating the DSAA Military Assistance and Sales Manual (MASM). (ODCSLOG)

#### 11. Acquisition (Chapter 7).

The Materiel Acquisition Management and Research Development (R&D) Chapter examines the techniques used to manage those facets of the security assistance program to determine their effectiveness. The key problems are how to meet foreign requests for materiel without interfering with the planned use of the production base to meet the requirements of U.S. forces and how to properly control release of technology. The study reveals that full reliance is placed on the commodity commands to take actions so that impact of U.S. Army readiness is minimized. The actions are taken within parameters established by HQDA. The five year materiel acquisition plans prepared for the U.S. forces by the Office Deputy Chief of Staff for Research, Development and Acquisition establish the parameters for FMS materiel acquisition management. The commodity commands use these plans as a basis for stratifying comparisons of capacities of the production bases, both commercial and in-house, against the planned U.S. buys. The residual capacities, as revealed by these comparisons, are used to schedule FMS requests on a first-come, first-served basis. Responsibility for establishing parameters for release of technology is split between Office, Assistant Chief of Staff for Intelligence, which determines level of classification to which a foreign nation is entitled, and ODCSRDA, which has staff responsibility for classifying materiel. When an action falls outside the established parameters, DARCOM raises the issue to the DA Staff for resolution. The study concludes that the present method of management is not only adequate, it is probably the only

feasible one. Chapter 7 also addressed two related issues. First, the feasibility of preparing FMS cases at a central point, as recommended by the ASD(ISA), is examined. The study determined that the sale cases could be administratively prepared at a central point, but the central point would have to rely on the performing commands to provide viable price and availability data. Second, the processing of export licenses is addressed. It was concluded that this function should be transferred from the DA Staff to DARCOM. What is said about FMS materiel acquisition and research and development management applies in principle to the processing of the export license applications.

a. Findings and Conclusions.

(1) The DA staff interests in R&D and materiel acquisition management aspects of FMS are passive since their interest is primarily in protecting Army readiness through control of technology transfers and reservation of production base capacities for planned U.S. buys. Full reliance is placed on the commodity managers in the field to accomplish actual FMS business within sales parameters designed to protect US interests.

(2) Follow-up procedures should be established to assure that authorized recoupments on direct commercial sales are actually collected and placed in the proper accounts.

(3) It is not feasible to centralize the development of price and availability information for LOAs. This function should continue to be accomplished at the performing command level.

(4) Better management of ammunition sales could be achieved by providing the customer with planning data including planned production schedules for current and future years.

b. Recommendations.

(1) Follow-up procedures be established to assure that authorized recoupments on direct commercial sales are actually collected and replaced in the proper accounts. (Executive Agent)

(2) Responsibility for price and availability determination continue to be decentralized at the performing command/agency level. (Executive Agent)

(3) Planning assistance and planned production schedules for conventional ammunition be offered each customer as approved by OSD/DSAA. (ODCSLOG)



12. Transportation (Chapter 8).

a. The Army utilizes the Defense Transportation System (DTS), on an exception basis, to move security assistance materiel. In these cases, the Army's responsibilities include recouping all costs associated with transporting FMS materiel. In all cases the Army has responsibility to account for and trace shipments to the point where DOD responsibility ends, resolving transport problems as they are identified, and assisting foreign clients and their agents in understanding DOD transportation systems and billing documentation. The scope of transportation activity and coordination is intensive.

b. Findings and Conclusions.

There does appear to be a need for a small cell of transportation expertise in the Washington element of the US Army Security Assistance Center (USASAC). This cell could provide technical assistance to foreign representatives located in the Washington area as well as to the USASAC personnel administering sales cases. In addition, the cell could act as the focal point for identifying and coordinating security assistance-peculiar problems with the DA staff. A GAO report which was released during the period of this study highlighted the need to emphasize this facet of the program.

c. Recommendation.

Establish an internal transportation cell in the Washington Field Office of USASAC to assist foreign clients and USASAC in the administration of security assistance cases. (USASAC)

13. The Surgeon General Services (Chapter 9).

a. While the Army Medical Department (AMEDD) has no entity dedicated solely to security assistance, all major elements of the AMEDD organization are involved in security assistance activities such as conducting orientation training tours and individual training of foreign students; providing mobile training and technical assistance teams; furnishing medical materiel, and providing medical treatment for foreign students in CONUS.

b. Findings and Conclusions.

(1) AMEDD coordination and case performance is accomplished on a functional basis.

(2) While a central coordination and liaison point currently exists in the Office of The Surgeon General's Directorate of Health Care Operations, there is no central data program to measure the total value of accomplished security assistance actions.

(3) Security assistance actions to date have not adversely impacted on AMEDD training, personnel, materiel, and financial resource availability.

c. Recommendations.

AMEDD activities accomplishing security assistance actions routinely report the value and number of actions accomplished during a designated period. Report should be submitted to the central coordination point within the Directorate of Health Care Operations. (TSG)

14. Engineer Services (Chapter 10).

a. The major security assistance effort of the Corps of Engineers consists of construction management services through Engineer Assistance Agreement (EAA) or by FMS. Most of these programs are located in Saudi Arabia.

b. Findings and Conclusions.

(1) Of the two procedures, FMS or EAA, the EAA procedure is more desirable for the present, both from the customer acceptance and Corps of Engineers' viewpoints.

(2) Presentation of a single annual case to cover Corps of Engineers expenses for review and approval by the Congress would expedite administrative procedures and present a more realistic representation of gold flow to the United States.

c. Recommendations.

(1) Continue to employ procedures developed by the Corps of Engineers under the Engineer Assistance Agreement of 1965, and as extended to 1978, in the management of the Saudi Arabian construction program. (COE)

(2) Obtain OSD/ISA - DSAA approval for presentation of a single annual case to cover Corps of Engineers management service expenses in Saudi Arabia. (COE)

(3) Employ standard FMS procedures in future Corps of Engineers security assistance programs, other than in those covered by existing country-to-country agreements. (COE)

15. Communications Services (Chapter 11).

a. All Army non-tactical communication services, systems, and equipment purchased by or provided to foreign clients are accomplished under the management of the US Army Communications Command (USACC). There are no USACC elements organized solely for security assistance activities.

b. Findings and Conclusions.

(1) Execution of the USACC FMS and MAP programs should continue to be monitored from HQ USACC under a centralized concept.

(2) To facilitate program definition and coordination, it is essential that personnel possessing communications expertise be collocated with the DA Executive Agent responsible for program administration and management.

c. Recommendations.

USACC personnel possessing the necessary communications expertise be collocated with the DA Executive Agent for security assistance. (USACC)

16. The Adjutant General Services (Chapter 12).

a. The Adjutant General's participation in the security assistance program relates exclusively to the issuance and sale of releasable Department of the Army publications to eligible foreign governments. In keeping with the overall acceleration of FMS, the number of TAG cases and their monetary value have increased significantly over the last four years.

b. Findings and Conclusions.

(1) Better pre-implementation procedures and control are needed for non-DARCOM, nonmateriel oriented cases.

(2) There are a tremendous number of due bills that have not been processed for reimbursement to the Security Assistance Accounting Center (SAAC).



(3) Control of FMS cases must be improved and should be centralized at one activity within TAGCEN.

(4) The new pricing policy will have significant impact on the overall sale of publications and will require the development of more sophisticated pricing and costing mechanisms.

(5) Back orders severely impair closeout of prior year cases.

(6) Cases are not being closed out for two or three years after termination of the period for which written.

c. Recommendations.

(1) Revamp and improve DARCOM/Executive Agent procedures for interfacing with non-DARCOM commands and activities on case implementation, control of delegation authority, billing, and master data record keeping. (DARCOM)

(2) Process publications delivery billing transactions upon presentation. (MDW)

(3) Modify management and case control procedures to provide better program management. (TAG w/DARCOM)

(4) Price out publication orders prior to presentation to MDW F&AO. This function should be computer supported. (TAG)

(5) Service requisitions on a fill or kill basis and notify customers to reorder at a specified availability date. (TAG)

(6) Initiate action to close out FY 77 and prior fiscal year cases. (TAG)

17. Personnel (Chapter 13).

a. Implemented in 1976, The Army Security Assistance Manpower Report now provides the Army with aggregate data on manpower dedicated to security assistance. In first quarter FY 77, 1540 military and 4106 civilian Army personnel spaces were dedicated to such activities. Manpower expended on this effort was at the expense of operating strengths of Army units. Anticipated increase in the use of Technical Assistance Field Teams (TAFT), particularly in skill specialties already critically short in the Army, dictates the need for careful review of all requests. While over 2000 civilian personnel work in international logistics (IL), there is no

special career program for professional development. Security assistance individual training appears adequate with the exception of financial management courses peculiar to security assistance.

b. Findings and Conclusions.

(1) The Army Security Assistance Manpower Report is an essential tool for measuring the level of Army manpower devoted to security assistance and should continue to be refined.

(2) The Army Security Assistance Report should be modified to reflect manpower totals by categories in security assistance, particularly FMS, and be adjusted as necessary to meet future requirements such as budget calls and DOD reports.

(3) An increase in the endstrength, either military or civilian, to offset manpower now devoted to security assistance is not feasible.

(4) A request for exemption of security assistance manpower spaces is worthy of consideration because of the numbers involved.

(5) Initial TAFT reviews must include a careful analysis of each requirement and should result in either a request for relief or authority to pursue alternate approaches when requirements cause an adverse impact on the US Army.

(6) AR 795-13 requires revision to include specific responsibilities and procedures for the administration, accounting, and billing for TAFTs.

(7) A special program is needed for the identification and management of civilian employees in international logistics.

(8) The financial management aspects of foreign military sales should be included in training courses for finance, comptroller and management personnel.

c. Recommendations.

(1) Refine and modify the Army Security Assistance Manpower Report to reflect manpower totals by category (ODCSLOG) (See Chapter 16 for transfer of proponentcy from ODCSOPS to ODCSLOG).

(2) Initiate action to exempt manpower spaces exclusively devoted to security assistance. (ODCSOPS w/ODCSPER)

(3) Preview TAFT requirements prior to DA concept approval in order to determine impact and offer alternatives for those teams which impact adversely on US Army units/activities. (ODCSLOG/ODCSOPS/ODCSPER)

(4) Revise the provisions of AR 795-13 to include specific responsibilities and procedures for administering, accounting and billing for Technical Assistance Field Teams (ODCSLOG w/COA, DARCOM, TRADOC)

(5) Initiate a program to identify and manage civilian employees in International Logistics. (ODCSPER)

(6) Include training in the financial management aspects of foreign military sales in Army courses for finance and comptroller personnel and in Army and DOD courses for managers. (ODCSPER w/COA, ODCSLOG, and ODCSOPS)

18. Financial Management (Chapter 14).

a. Financial management of security assistance is extremely complex and involves almost all Army appropriations. Financial management responsibilities are shared by management officials at all organizational levels within the Department of the Army. Security assistance impacts on many operational areas such as procurement, transportation, training, services, and supply operations. Accordingly, line and staff personnel of many Army commands and agencies become involved with security assistance transactions. The Army security assistance program has grown in recent years to the point where the majority of Army's procurement actions are in support of security assistance. The Army's system was designed to account for customer orders, but not of the magnitude of the current program.

b. As a result of the growth of the security assistance program, serious financial problems developed in the area of the Army Procurement Appropriations. Several violations of Revised Statutes 3679 were reported to Congress as a result of these problems. Aggressive action was taken by the Comptroller of the Army and the DA staff to resolve these problems. Current actions by the Comptroller of the Army to develop new systems for security assistance transactions

will eliminate problem areas that have plagued Army's management of procurement appropriations as they pertain to security assistance. Specifically, COA has established an Implementation Team for the Financial Management of the Army's Foreign Military Sales Program and assigned a Project Manager for system development and implementation of a program fund control system.

c. The financial chapter of this study places emphasis on the funded reimbursable orders and the impact on the Army's Procurement Appropriations. Because security assistance financial transactions involve almost all Army accounts, specific areas are covered in the financial annex, Annex I, to the study report.

d. Findings and Conclusions.

(1) The Centralized Integrated System for International Logistics (CISIL) and the Army Procurement Accounting and Reporting System (APARS) systems, as implemented, do not accomplish required control and are not adequate by themselves to control, account for, or provide the requisite management information on the Army's overall security assistance program.

(2) CISIL is primarily a logistics system; attempts to maintain financial control of FMS cases through CISIL have proven to be less than satisfactory. Due to the transfer of the trust fund, the financial module of CISIL was obsolete and could not be implemented.

(3) Continued plans for modification of existing systems is not a substantive solution to effectively establish improved financial control and gain required GAO approval.

(4) Trust fund obligation authority is issued by SAAC to USAILCOM for FMS cases. USAILCOM does not have a general ledger control system to control and monitor the use of obligation authority.

(5) USAILCOM does not have a procedure or system capability to record and report FMS transactions by Army performing appropriations.

(6) Reconciliation procedures are weak to non-existent between SAAC, USAILCOM, NICPs and other MACOMS/Agencies involved in security assistance transactions.

(7) DARCOM/SAAC procedures for processing advances and liquidation of advances have caused significant delays at MSCs in identifying and crediting the proper Army appropriations.

(8) The US Army Finance and Accounting Center (USAFAC) pays the DOD transportation agencies (MTMC, MSC, MAC) for FMS



transportation costs. Reimbursement is received from SAAC, based on delivery bills from the field. USAFAC does not have a system to identify differences between amounts billed and amount of reimbursement at the case level.

(9) Army has expanded its use of direct cite for FMS transactions.

(10) COA is developing systematic procedures to tie together the issue of FMS obligation authority and funded reimbursement authority.

(11) COA is making the maximum use of contractor support for FMS systems design.

(12) COA is developing a mechanized system to centrally control the issuance of funded reimbursement authority.

(13) DARCOM, in coordination with the Implementation Team for Financial Management of Army's FMS Program, is developing a system for general ledger control of trust fund obligation authority which will centrally control FMS obligation authority.

(14) DARCOM had not implemented Supply Support Arrangement provisions of AR 37-38. (While implementing instructions have been issued by HQ DARCOM, they have not been implemented by MSCs as of 31 October 1977).

(15) Failure of SAAC to clear interfund transactions on a timely basis could impact on Army's ability to effect case closures.

(16) Non-clarification of military agreements and unsuccessful settlement of reimbursement for all costs provided for in the agreements for mission members in Latin America could result in embarrassment to Army and in the USG's relations with the countries involved.

(17) COA is not staffed or ADP equipped to properly manage detailed data in the IMET program.

(18) There are ambiguities in Army regulations concerning staff responsibilities for financial management functions.

(19) There appears to be duplication of functions between COA and Appropriation Directors in the areas of reprogramming

actions, evaluation of ICAR/APAR reports, and issuing/controlling fund releases.

(20) TASAPS supports the Financial Management Advisory Committee's conclusion that improvement of the professional capability of the financial management staff could significantly improve the financial management of the security assistance program.

e. Recommendations.

(1) Expedite implementation of the Army Program Fund Control System (PFCS). (COA)

(2) Centralize the control of trust fund obligation authority with USAILCOM Comptroller. (Executive Agent)

(a) Place under general ledger control.

(b) Implement the Army Customer Order Control System - FMS (ACOCS-FMS) as the general ledger control system.

(3) Expedite implementation of ACOCS-FMS and integrate with the DA Program Fund Control System. (Executive Agent)

(4) Consider reconciliation and reporting requirements in PFCS and ACOCS-FMS system design and in all modifications to existing systems. (COA/Executive Agent)

(5) Continue to utilize contractor support in development of financial systems and modifications of existing systems when in-house capabilities are not available. (COA)

(6) Request authority to use automatic reimbursement procedures for all FMS customer orders (PFCS and ACOCS-FMS provide for adequate control of Army's customer order program). (COA)

(7) Improve trust fund advance and billing procedures to readily identify the Army appropriations being reimbursed and the liquidation of the advances. (Executive Agent)

(8) Implement the Supply Support Arrangements provisions of AR 37-38, as revised by COA instructions. (Executive Agent)

(9) Continue efforts with DSAA to eliminate the Army appropriations from the funding channel for over ocean transportation. (COA/DCSLOG)

(10) Continue current billing procedures for six months. Analyze billing system at the end of this period to determine the adequacy of this system vs validation of all bills at USASAC prior to submission to SAAC. (Executive Agent)

(11) Establish a system to ensure that all interfund transactions are cleared between the payee (SAAC) and the seller (Army). (COA/DSAA)

(12) Resolve military assistance mission agreements with Latin American countries concerning reimbursement of costs. Establish proper accounting procedures to ensure correct billing and reimbursement for all costs. (COA/ASD(C)/MDW)

(13) Establish central financial management of the IMET program at HQ TRADOC. Allocate funds to TRADOC for this purpose. (COA)

(14) Clarify regulations which contain ambiguities on staff responsibilities for financial management, and eliminate duplication in staff responsibilities. (COA)

(15) Intensify effort to improve professional capability of financial management personnel on the DA Staff and MACOMS through job classification, personnel selection, and education requirements and programs. (COA)

19. Management Information/Data (Chapter 15).

a. The sheer magnitude and complexity of the Army Security Assistance Program in terms of transactions processed, numbers of performing agencies, countries served, required records and audit trails and the resultant demand for information and management reports make mandatory the maximum use of a computer based system. Equally important is that the automation adopted be designed as a centralized and integrated system. Any lesser system cannot meet the required capability of providing roll-up data at the case, country, and program level. In addition, there are a significant number of essential central management services that cross performing commands and agencies and cannot be aligned on a pure line or case proponent basis. To fulfill this vital need, HQDA has stipulated that the Commander, DARCOM maintain a central data base and serve as an Army focal point of record.

b. The Army's system, dedicated exclusively to the security assistance program, is the Centralized Integrated System for International Logistics or CISIL. Four major management studies

were the foundation of its design. General Functional Systems Requirement (GFSR) documentation was developed during 1969 and approved by HQDA in early 1970. It was designed, developed and incrementally implemented with the final module installed in December 1976. It is the Army's focal point of record, capable of furnishing timely and accurate information that ranges from detailed data on a single requisition in support of a single case, up to a one line summary of a country's entire program.

c. Findings and Conclusions.

(1) The CISIL system is capable of meeting most, but not all, MIS requirements. This is not to say all needs are currently being met or even being satisfactorily addressed. Better dissemination of availability of products and post production handling and control would improve user acceptance as well as the utility of the product.

(2) The CISIL system is less sensitive to non-materiel oriented cases.

(3) Large numbers of duplicate bills, quantitative errors, line number errors, and other delivery/billing type errors have surfaced in the SAAC/DSAA and CISIL systems.

(4) Methods for error detection are being improved, but error correction remains passive and lacks positive control.

(5) Excessive turbulence and low resource priority have hindered systems capability and performance.

(6) CISIL hardware and software have reached or is rapidly approaching technical obsolescence.

d. Recommendations.

(1) Continue to operate a centralized integrated computer based management information system and maintain the office of record for the Army Security Assistance Master Program Data File. (Executive Agent)

(2) Require other performing commands and agencies input all required data to USASAC for inclusion in the Army Security Assistance Master Program Data Record. (Executive Agent)



(3) Place more emphasis on data base maintenance and stress accuracy of data on an equal basis with timeliness of data. Recurring systematic reconciliation with the SAAC and ICPs must be a part of this effort. (Executive Agent)

(4) Establish positive control over ICP/performing command generated error transactions to ensure correction and reentry. (Executive Agent)

(5) Analyze delivery billing errors to determine volume source and cause and undertake corrective action not later than the end of calendar year 77. Corollary to this recommendation is that USASAC assume full responsibility for the accuracy of all Army case-related delivery/billing transactions. (Executive Agent)

(6) Following implementation of security assistance organizational and functional realignment by the HQDA staff, reassess the management information needs of HQDA elements to ensure they are compatible with revised roles. (ODCSLOG w/Executive Agent)

(7) Devote additional ADP resources to the maintenance and enhancement of the CISIL system. These resources must be allocated so that only absolute minimum essential maintenance be performed on the existing application software and the full scale urgent effort be concentrated on a replacement system. (Executive Agent)

(8) Design a replacement computer based system which capitalizes on the centralized concept of CISIL, but embraces current hardware, applications software, system procedures and management practices. (Executive Agent)

20. Organization/Program Management (Chapter 16).

a. In its charter, the study group was tasked to identify requirements for organizational interfaces of security assistance activities and to recommend an optimum security assistance structure and other management improvements. One of the first requirements for the study group was to define the term, "Security Assistance Program". The term "Security Assistance Program", simply represents the cumulative of all security assistance requirements for which Army has responsibility. The study group therefore defines the Security Assistance Program as:

"a compilation of all FMS and MAP/IMET commitments for materiel, training and services; and an amalgamation of all the actions taken in meeting those commitments."

The program is made dynamic by the continual influx of requests, changes to the requests, and the gradual fulfillment of individual FMS, MAP, and IMET commitments.

b. In studying the issue of how the Army should be organized to accomplish the security assistance mission, the study group first reviewed the history of organization and management as it has evolved over the past 25 years. Three facets of the program were identified. These are program control or management, program execution, and financial management. Throughout the history of the program, the logistics infrastructure has been used for management. As a result, USAILCOM in its present role is the "de facto" central data base for all elements of the program. The USAILCOM management capability has been used to orchestrate the fulfillment of commitments among the responsible MACOMs and agencies and in superimposing requirements on existing Army systems. But many of these current functions of USAILCOM are also "de facto" in nature and there is no formal single point of responsibility for management of the program as a whole. Management responsibilities are diffused and split between the Army staff, principally DCSLOG-IL, and the field, principally USAILCOM for materiel and ODCSOPS, ODCSLOG, USAILCOM and TRADOC for training.

c. The study group also identified management problems which stem from the current organization. This was essential in order to formulate viable organizational alternatives. A methodology was then developed for analysis of the alternatives selected for in-depth review.

d. Five organizational alternatives were developed and presented during the second IPR. Based on guidance received and a more detailed analysis of five alternatives presented at the pre-brief of IPR III, the study group recommended that option 5, DARCOM as the executive agent for security assistance, be approved. The Executive Agency would have maintained a cell in the Pentagon to coordinate security assistance policy issues. Based on staff concerns, input by the Army staff agencies and selected commands, and additional guidance, the study group developed a sixth alternative. The sixth alternative provided for an Army staff POC to be established under the existing ADCSLOG.

The study group held to its previous recommendation that alternative 5 represented the optimum organization. The study group felt that the multiple interfaces with DSAA inherent in alternative 6, i.e., ADCSLOG for policy, DARCOM and TRADOC for program operations and management keeps alternative 6 from being the optimum.

e. Subsequent to further dialogue between the study group and the Director of the Army staff, the VCSA's decision was announced. Essentially, the approved organization is the same as alternative 6 except that an additional ADCSLOG was approved as the principal Army staff spokesman and Army staff focal point relative to security with the Commander DARCOM designated as the single Executive Agent. The ADCSLOG will be assigned additional duties, not related to security assistance, by the DCSLOG. The redesignation of USAILCOM as the USASAC (US Army Security Assistance Center) was also approved.

f. If the new organization is properly implemented, duplication of effort would be eliminated within the Army staff and between the Army Staff the MACOMs. This has been achieved largely by removing the Army staff from administration and management of FMS cases and MAP orders. Functional elements of the Army staff will retain responsibility, in coordination with the ADCSLOG, for policy development and promulgation in their respective areas. DARCOM, as the executive agent, through the US Army Security Assistance Center will be clearly responsible for program implementation, administration and management of FMS cases and approved MAP/IMET programs. Other commands and agencies would be responsible for preparing and executing FMS cases and MAP/IMET orders in accordance with administrative procedures established by USASAC. The executive agent will be interfaced directly with DSAA for matters relative to implementation, administration and management. For policy matters the ADCSLOG will interface with OSD. TRADOC would have responsibility for training preparation and execution of FMS and IMET training.

g. Findings and Conclusions.

(1) Present management structure resulted from undue emphasis being given the relatively few mission-impacting actions.

(2) Layering of "program overseers" results from institutionalized lack of trust within DA staff of DSAA and field agencies.

(3) The vast majority of security assistance actions being taken have no impact on Army readiness.

(4) The FMS program is too large to be managed within the DA staff.

(5) Responsibility for operation of the Army's Security Assistance Program is diffused and fragmented.

(6) Lack of a single focal point for program operations is confusing to outside agencies and the foreign clients. This leads to the belief that the Army is non-responsive and inefficient.

h. Recommendations.

(1) Organization - DA staff.

(a) CASA be disestablished.

(b) DCSLOG-IL be disestablished.

(c) Activities be restricted to policy.

(d) Appoint additional ADCSLOG:

1. DA staff rep/focal point.

2. Keep Secretariat/Vice Chief informed.

3. Coordinate policy development.

4. Assigned other duties.

(e) Other DA staff agencies - retain functional policy responsibilities.

(2) Organizations - DARCOM

(a) As executive agent:

1. Implements, administers, manages program.

2. Interfaces with DSAA/foreign clients.

3. Coordinates requirements of other commands/agencies - tasks as required.



4. Establishes management procedures.

5. Maintains master program record.

6. Keeps DA staff informed.

(b) USAILCOM as US Army Security Assistance Center (USASAC) headquartered in Alexandria, Virginia.

(3) Organization - other commands/agencies.

(a) In coordination with USASAC, prepare FMS cases.

(b) Administer FMS cases and MAP/IMET in accordance with USASAC procedures.

(c) Execute their FMS cases and MAP/IMET.

(d) TRADOC and USACC staff cells in executive agency (USASAC).

#### CLOSING REMARKS

The Army Security Assistance Program Study (TASAPS 77) Group was established to conduct a comprehensive review of the Army Security Assistance Program. The management structure was last reviewed in detail during the third quarter CY 75 by what has become commonly known as the CASA Study Group.

Since the CASA study was completed, numerous changes have occurred which indicated the need for comprehensive review of the management concept and the associated organizational structure. The changes are covered in detail throughout this report. The change which received the most wide-spread attention, however, and which precipitated formation of TASAPS 77 was the establishment of the OSD Security Assistance Accounting Center (SAAC) at Denver, Colorado in FY 77. The SAAC was established to centralize FMS billing, cash collection, trust fund accounting, and administrative fee management. This centralization was thought by many to negate the requirement for the DARCOM International Logistics Command. Because of this feeling, the Assistant Secretary of the Army (Installations and Logistics) requested the Army staff to study the "best way" to manage the security assistance program. As the study of the effect the SAAC had on the Army's security assistance responsibilities progressed, it became clear that while the SAAC serves the useful purpose of being a combined credit card company

and banking institution, it's establishment does not alter the Army's basic responsibilities for the security assistance program. Unless there is a total realignment of the Department of Defense, the Army will always have the ultimate stewardship of delivery of, accounting for, and financial management for the goods, the services, and the training that it provides. It was for this reason that the study group concluded that the Army must be able to answer on its own any query from OSD, other national authorities or foreign clients. Therefore, it was determined that the maintenance of a central master data file is essential. This was reported to, and accepted by, the Army's corporate management during an early IPR.

There remains in many minds the old military assistance syndrome wherein we were giving away our goods, whereas in today's world we have moved into the selling process. Further, there is a belief that we can exert the same kind of influence on foreign national forces today that we did during past years when we were providing goods and guidance in the formulation of the foreign force structures. Today, since the foreign client is buying, he has many options including buying from other countries. These competing systems frequently are of excellent quality and, all too often, are available, in the mind of the client, in a more responsive time.

This is not to say that we do not influence, and from a national security point of view, should not wish to influence foreign clients, as indeed we do. Rather, it is to say that total force planning, as desirable as it is in concept, faces the same constraints for our foreign friends, from a budgetary and personnel perspective, as our force structure planning does. In addition, the client countries' fiscal years and systems do not and will not parallel ours. Forecasting our foreign client country needs individually and from a worldwide point of view is now, and will continue to be, extremely difficult. The type forces a foreign client has and wishes to have will continue to be his highly prized national secret.

The study group believes that the Army differs significantly from our sister services in that we offer the largest variety of weapon systems, support systems and services. This means that we have, by far, the largest number of cases and the largest number of transactions. The majority of these actions are not mission impacting. We do this all by superimposing client demands on top of the existing Army structure.

Security assistance is different from the regular Army's purpose in life. Without security assistance, most Army jobs would go on. Security assistance is an additional mission, beyond the basic rationale for the maintenance of the Army. National security is of course the rationale for this mission. In addition, because of political or economic reasons, the United States Government may choose to take action to support a client country which, from the Army perspective, would be detrimental to the Army's well being at a given point in time. All too frequently we have responded to proposals only from the Army point of view and appear parochial in the eyes of others. Army responses to proposals for support of foreign requirements must provide a realistic impact statement, but also must offer realistic options. The attitude of many Army personnel toward security assistance was shaped by the events which occurred during the 1973-74 period when the Army experienced a number of withdrawals and diversions. A positive security assistance program requires positive attitudes, which must be nurtured at all levels of command.

Throughout, the thrust of the study group has been to develop a security assistance structure which would be responsive to today's environment and which would be flexible enough to accept any politically based future requirements which do not fall into the standard mold. There are over 80 countries which we service and in time there may be more or less. A security assistance structure should be able to accept additional or fewer clients using the procedures, processes and systems recommended in this study. Obviously, manpower resources will have to adjust relative to any increase or decrease in workload.

The need for a program manager is rooted in the fact that there is no security assistance program or infrastructure 'per se'. The program is an amalgamation of all of the FMS, MAP and IMET commitments and actions taken to meet these commitments. From this fact stems the rather widespread mistaken belief that the Army is simply selling things and services and training people on a case by case basis and, therefore, the foreign client should simply directly interface with the organization providing the things, the services, or the training. This belief is totally devoid of an understanding of the impossibility of 80 foreign entities trying to interface with the vast array of organizations which participate in the security assistance program. The belief also conveys a lack of understanding of the need to superimpose requirements on the Army infrastructure so that coordinated actions result in fulfillment of multi-faceted commitments. Even where

the need for management is understood, there is lack of agreement as to how this responsibility should be fixed within the Army. This results, in large part, from resistance to deviate from practices and roles which have been institutionalized. There was a time when the size of the program allowed it to be managed by the Army staff. This has not been possible since the Yom Kippur War in 1973. The program is so large that it precludes management, or even true maintenance of a total overview, at the HQDA level. The maintenance of an element within the DA Staff to manage, in piecemeal fashion, has resulted in multiple interfacing and diffused responsibility assignments. To outside agencies and foreign governments, the Army is perceived as non-responsive and inefficient. The study group concluded that the optimum organization solution would be to clearly pinpoint program management responsibilities by assigning them to an executive agency and to remove any vestige of a security assistance activity from the DA staff which would perpetuate diffused program management.

We fully realized that our effort was evaluating "the way things are" and develop "the way things should be" in an ideal atmosphere. We also realized fully that the ideal atmosphere approach may not be the real world and that was evidenced by our optimum solution for organization which had to be adjusted to meet the corporate staff concerns. We believe however, that our guidance directed us to find the optimum solution, and having determined that optimum then we would adjust it to meld the staff views to meet the constraints of the real world. While the study group did conduct a comprehensive review of the Army program, limitation of time and personnel precluded an intensive and detailed examination of all the internal security assistance mechanisms of the MACOMS and performing commands. An internal analysis of organizational interfaces and management activities by MACOMS and performing commands involved in security assistance, in conjunction with adopting recommendations addressed herein, would therefore be appropriate.

While implementation of organizational and management improvements recommended in this study report will enhance the effectiveness of Army security assistance, it will not, in itself, resolve all the shortcomings observed during the study. Implementation of the recommendations contained in this study report, coupled with consistent application of fundamental leadership principles will ensure the successful accomplishment of the Army's security assistance mission.



## CHAPTER 1

### INTRODUCTION

#### Section I. Background

1. Army security assistance activities were last reviewed on a formal basis by Headquarters, Department of the Army in 1975. Since completion of that review, entitled Army Security Assistance Study, October 1975, numerous changes and developments have occurred in security assistance. Presidential policy decisions, recent legislation, greater Congressional involvement, recent organizational and procedural innovations by Department of Defense, as well as many other events, both past and anticipated, dictated the need for the Army to conduct a comprehensive review of its security assistance structure and management procedures and, if appropriate, to make recommendations. Accordingly, The Army Security Assistance Program Study (TASAPS 77) was established on 2 March 1977 by CSM 77-5-10, (Annex C) and was chartered on 4 April 1977 by HQDA letter 380-77-2, (Annex D).

#### Section II. Study Objective

2. The objective of the study was to recommend organizational and management improvements that would provide the most efficient means of accomplishing Army security assistance missions and functions.

#### Section III. Mission

3. The study group was tasked to:

a. Identify requirements for organizational interfaces of security assistance activities.

b. Identify management/information data required by HQDA staff elements and all MACOMS involved in security assistance program management.

c. Recommend an optimum security assistance structure and other management improvements.

d. Recommend collateral improvements.

#### Section IV. Scope

4. The scope of the study included an examination and evaluation of Army security assistance objectives; planning; programming; decision making; organizational structure; distribution of functions; personnel; administration, training, logistical, billing, and financial policies; procedures, methods, and information systems; control, and the application of management processes.

#### Section V. Methodology

5. Through personal interview, visits to field activities and briefings, (Annex E) and examination of documents, historical records, investigative reports, current and anticipated actions, and other relevant sources, the study group defined specific problem areas within assigned functional areas of responsibility. The study group further developed areas of problem analysis, formed tentative hypotheses, collected additional relevant information, conducted analyses of the data, and developed conclusions and recommendations.

6. Throughout its analysis, the study group considered:

- a. Executive guidance.
- b. Security assistance legislation.
- c. Resources.
- d. Total package planning/execution.
- e. Trends toward centralization.
- f. Information systems/programs requirements and management.
- g. Customer requirements.

#### Section VI. Assumptions

7. Assumptions considered by the study group were as follows:

- a. US national security strategy during the mid-range period will be essentially as stated in JSOP VOL I, FY 80-87 and SECDEF Defense Guidance, 9 Nov 76.

b. Congressional oversight of Foreign Military Sales (FMS) will intensify and greater Congressional concern will be directed towards recovery of full cost of FMS goods and services.

c. Although DOD and the services may be consulted, the level and content of country programs and country policy decisions will continue to be determined by Department of State, subject to review by the Congress.

d. The trend toward greater involvement of Defense Security Assistance Agency (DSAA) in the administration, management and operation of security assistance activities will continue.

e. Articles and services for security assistance will be provided by utilizing existing Army systems when practicable.

f. Security assistance will continue to require a substantial level of US Army manpower.

g. As emphasized by Congress, there will be increased use of civilian contractors to provide training and services to meet security assistance requirements.

h. Past security assistance commitments will be honored.

#### Section VII. Study Group Organization

8. The study group was organized as depicted in Annex F. On 17 August 1977, the Implementation Team for Financial Management (ITFM) was established by the Comptroller of the Army to develop Army concepts and procedures for implementing new DOD financial procedures for Foreign Military Sales. The ITFM was collocated with TASAPS 77 and as an additional mission, was tasked to assist TASAPS 77 in addressing security assistance financial management.

#### Section VIII. Study Group Membership

9. Personnel who served as primary members of the study group are listed in Annex G. ITFM members are listed at Annex H.

## CHAPTER 2

### SECURITY ASSISTANCE SITUATION

#### Section I. Introduction

1. Security assistance is essential to the attainment of US foreign policy goals throughout the world and serves to reassure allies and friendly nations of US support. Regional stability and the increased deterrent capabilities of our allies through US security assistance reduce the likelihood of US military involvement. The standardization of equipment doctrine, and training through security assistance enhances our readiness to conduct combined operations, thereby lending more credibility to collective security.

#### Section II. The Environment

##### 2. General.

The worldwide environment that security assistance influences as a part of the US national security strategy includes the balance of US/USSR relationships and maintenance of stability between regional factions. Both the US and USSR have used security assistance in their competition for gaining influence in the third world or to deny the influence of the other.

##### 3. US/USSR Comparison.

While the US has delivered more arms than USSR to all regions of the world except Africa in terms of dollars, such comparisons are misleading. The Soviet economy is not as subject to inflation as is the US economy, so the price of Soviet equipment is considerably lower than for comparable US equipment. In terms of the number of major ground force weapons systems, except armored personnel carriers, the Stockholm International Peace Research Institute indicates that the USSR delivered 50% more systems in 1974 than the US, the biggest year for the US FMS program. In late 1976, while US MAAG strength was at 1455, the USSR had many times that number of military advisers deployed in almost 30 countries, not including those in the Warsaw Pact. Soviet deliveries in Latin America and Africa during the past years reflect a marked increase. Another aspect of this comparison is the number of foreign military students trained in the respective military school systems. The number of foreign students attending schools in the USSR has increased dramatically in the last four years, while the number training in US schools has declined.

The major problem the Soviets face in expanding their security assistance role is that recipient nations are wary of the political price that must



be paid for Soviet aid. Additionally, Soviet equipment and support procedures do not enjoy a particularly good reputation. When seeking items which are available from both the US and the USSR, most prospective buyers seek US hardware, in spite of higher cost and longer delivery time, because of its superior quality and supportability.

#### 4. Europe.

In both NATO and the Warsaw Pact, the US and USSR are facing increasing competition in arms sales from their respective allies. West Germany, Great Britain, Italy and especially France are extremely active in arms sales and have the capability of substituting their weapon systems in the free world market if the US slows its arms exports. As reflected in Figure 2-1, Czechoslovakia and Poland have exported military goods in competition with the USSR.

#### 5. Middle East.

The Middle East is the major recipient of security assistance from both the communist bloc and free world sources. During the first half of 1976, countries in the Middle East and North Africa received over 60 percent of the total value of USSR equipment destined for the non-communist world. Currently, the main recipients of USSR aid are Iraq, Syria and Libya.

The US has been the primary supplier for Saudi Arabia and Israel. Israel, in turn, is an arms exporter, being the only country in the Middle East providing appreciable security assistance outside the region.

#### 6. Northeast.

With the probable reduction of US ground forces in the Republic of Korea (ROK), ROK interest in continued procurement of US equipment has increased. The ROK has investigated third country sources, but high cost, unreliable supply, and a belief in the sincerity of the US President's pledge of support have resulted in continued reliance on the US.

North Korea continues to rely mainly on USSR and the Peoples Republic of China (PRC) for military supplies and equipment. North Korea has, in turn, shipped arms to Pakistan.

Japan has maintained its traditional opposition to rearmament and has consistently supported international arms control measures. Japan has agreed to US conventional and nuclear commitments and has adopted much US equipment.

The termination of current security assistance arrangements with the Republic of China (ROC) will probably result from the US quest for improved relations with the PRC. Taiwan has mostly US equipment although

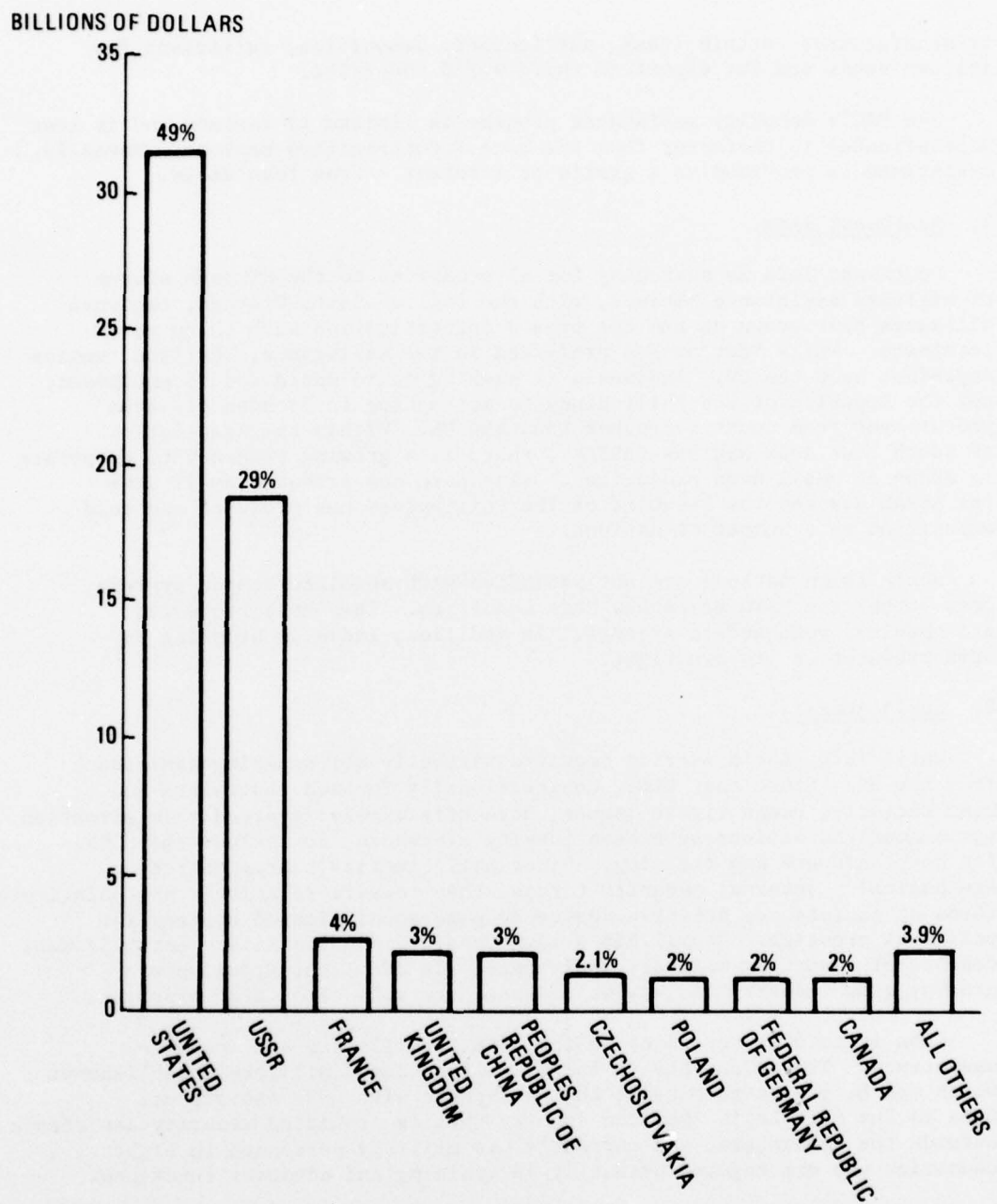


Figure 2-1 Percentage of \$64.4 billion military arms and services delivered by major suppliers from 1965 to 1974.

it manufactures certain items, particularly ammunition, sufficient for its own needs and for export to third world countries.

The PRC's security assistance program is limited in variety and is less sophisticated in character than the more industrialized nations. Normally, assistance is provided on a gratis or interest - free loan basis.

#### 7. Southeast Asia.

Southeast Asia is searching for alternatives to the US as a source of military assistance because, with the fall of South Vietnam, regional alliances have grown as has the area's identification with third world interests. While Vietnam has preferred Soviet assistance, Thailand remains dependent upon the US. Indonesia is seeking third world and US equipment, and the Republic of the Philippines is attempting to broaden its arms procurement from countries other than the US. Within the Association of South East Asia Nations (ASEAN), there is a growing tendency to cooperate in areas of small arms production. Singapore has produced small arms for ASEAN use and the Republic of the Philippines has produced and sold ammunition to a number of nations.

South Asian nations are not satisfied with obsolete weapon systems from either the NATO or Warsaw Pact countries. They have requested and obtained some modern systems. In addition, India is becoming an arms producer in its own right.

#### 8. Latin America.

Until 1970, Latin America received virtually all security assistance from the US. Since that time, Congressionally imposed restraints and, most recently, human rights issues, have effectively reversed this situation. Latin American nations have been looking elsewhere, to include the USSR, for both hardware and training. Since Latin America's armed forces are basically internal security forces, they require relatively unsophisticated forms of assistance, but have requested some sophisticated systems for political prestige. Brazil has a large and efficient military establishment capable of exporting military assistance. In addition, Brazil has a growing arms industry and may well assume the role of an arms exporter.

Cuba is totally dependent on the USSR for military and economic assistance. The island has a large, well equipped military establishment which can be projected outside the hemisphere with USSR assistance. Cuba is the only Latin American country that is providing security assistance outside the hemisphere, and currently has military personnel in eight countries who are engaged primarily in training and advisory functions.

#### 9. Africa.

Africa, like Latin America, is dependent on external sources for virtually all equipment and most training. The notable exception is

the Republic of South Africa, which is becoming more self-sufficient in the manufacture of arms and equipment, although it often depends on outside technology for more sophisticated items. The Republic of South Africa has the capability of providing basic arms and equipment to Rhodesia.

Many countries in Africa are recipients of USSR aid, which is used politically to sway independent countries or countries receiving minimal US aid. The general level of security assistance directed towards Africa will probably increase with the increased supplies provided by the third world countries.

### Section III. History of Security Assistance

#### 10. General.

Since General Lyman L. Lemnitzer, (then Brigadier General), as the Army member of the Joint Strategic Survey Board, JCS, assisted in developing the first military assistance program for the Department of Defense in 1947, the Army has continued to be a major participant throughout the evolution of US foreign military assistance. President Truman's request to Congress for \$400 million to help Greece and Turkey was followed by passage of Mutual Defense Assistance Acts in 1949, 1951 and 1954. As a result of the Draper Commission report in 1959, Congress enacted the Foreign Assistance Act of 1961 which, with annual amendments, is still the basic legislation governing US military and economic aid to foreign countries. Other significant legislation is the Foreign Military Sales Act of 1968 and the International Security Assistance and Arms Export Control Act of 1976.

Security assistance legislation reflects a basic shift in the emphasis of the program itself. In the early 1950's the average yearly grant aid expenditure was 8.7 billion and involved over 50 countries while foreign military sales averaged only 350 million dollars a year. By the mid-1970's the average yearly grant aid expenditure had dropped to one billion dollars and involved only 26 countries with all commitments to be completed by 30 September 1980. Foreign military sales though grew to 9.95 billion dollars by the mid-1970 and involved sales agreements with over 70 countries.

#### 11. Mutual Defense Assistance Acts of 1949 and 1951.

These acts established the Mutual Defense Assistance Program and provided the basic foundation for allied collective security arrangements. Separate government agencies administered the 1949 program with relatively little coordination between them. The Mutual Security Act of 1951, however, consolidated foreign assistance into a single program that enabled the newly established Director of Mutual Security in the Executive Office of the President to supervise and coordinate economic, technical, and military assistance.



12. The Foreign Assistance Act of 1961.

This act was the mainstay of US security assistance. It affirmed that military and economic assistance should continue without a major change in scope. The act improved the organization and direction of military assistance programs by providing more flexibility in furnishing assistance to friendly countries and international organizations through loans, grants, sales, lease, and exchange, as opposed to grants alone. The Agency for International Development (USAID) was another outgrowth of this legislation. The act reaffirmed the Secretary of State's responsibility for supervision and general policy direction, and explicitly made the Chiefs of US diplomatic missions responsible for in-country programs.

13. Foreign Military Sales Act of 1968.

In 1965, Secretary of Defense McNamara reduced grant aid, which constituted the preponderance of the security assistance program until that time, and military sales assumed greater significance. Congress recognized the importance of this shift and implemented the Foreign Military Sales Act of 1968. The act was designed to encourage allied nations to make a greater contribution to their own security and recognized that controlled military sales to selected countries could serve US interests as an important instrument of US foreign policy as well as assist in off-setting balance of payment deficits.

The 1968 Act imposed strict standards on arms sales. A sale could not contribute to an arms race, increase regional tension, or divert the limited resources of underdeveloped countries from urgently needed economic programs. No sales were to be made that were not in consonance with US foreign policy and national security objectives, or to countries which seized US fishing vessels. The Act also created provisions to ensure that the prospective purchaser initiated the request and that the goods and services were really required. In addition, Congress placed dollar ceilings on both grants and sales to Latin American and African countries.

14. The Foreign Assistance Act of 1969.

The 1969 Foreign Assistance Act limited the number of foreign military students to be brought to the United States to the number of foreign civilian students brought in under the Mutual Educational and Cultural Exchange Act of 1961. The Act also stipulated that before furnishing development loans to a foreign country, the President would take into account the percentage of that country's assets used for military purposes.

15. The Nixon Doctrine.

The rationale for the security assistance program as it presently exists reflects several changes from the previous decade. From 1969 to

1976, the Nixon doctrine served as the foundation for the FMS program. The "total force" concept of reducing US force levels while retaining sufficiency in deterrence and global defense justified the aid. Assistance was designed to build and sustain foreign military forces to augment and complement reduced US forces. This concept was not only designed to deter communist expansion, but was intended to keep US troops out of low level conflicts.

16. Impact of the 1973 Middle East War

Support of security assistance requirements during the 1973 Middle East War caused some withdrawal of equipment from Army inventories. As reflected in Figure 2-2, the following year witnessed a dramatic increase in foreign military sales. This trend, coupled with concern over the sale of first line weapons, prompted Congressional inquiry into security assistance activities. This led to passage of legislation which imposed greater controls.

17. Foreign Assistance Act of 1974.

Public Law 93-559, the Foreign Assistance Act of 1974, prohibited stockpiling of supplies for the use of friendly countries. Later legislation, Public Law 94-329, authorized stockpiling on a reduced, rigidly controlled, and reportable basis.

18. The International Security Assistance Act of 1976.

The International Security Assistance and Arms Export Control Act of 1976 directed major revision of the security assistance programs. Except when specifically authorized by Congress, all military assistance advisory groups were to be terminated as of 30 September 1977, and were to be replaced by not more than three military members of the US Diplomatic Mission Staff to perform security assistance functions. Defense attaches were prohibited from being involved in security assistance activities after 30 September 1977.

The 1976 Act established new policies to reduce international trade in implements of war. It terminated Grant Aid after 30 September 1977, with current commitments to be completed by 30 September 1980. It provided for a 30-day Congressional review of arms sales of over \$7 million for a major item, and over \$25 million for defense articles or services. The transfer of nuclear equipment was regulated in detail, and limitations were placed on security assistance to various countries and areas. Payment for credit sales was extended from 10 to 12 years and a sales and credit limit was established for fiscal year 1977.

Limited controlled stockpiling of defense articles was authorized, and specific rules were established for sales from US stocks. In addition, detailed criteria for reports to Congress concerning commercial and governmental military exports were prescribed.

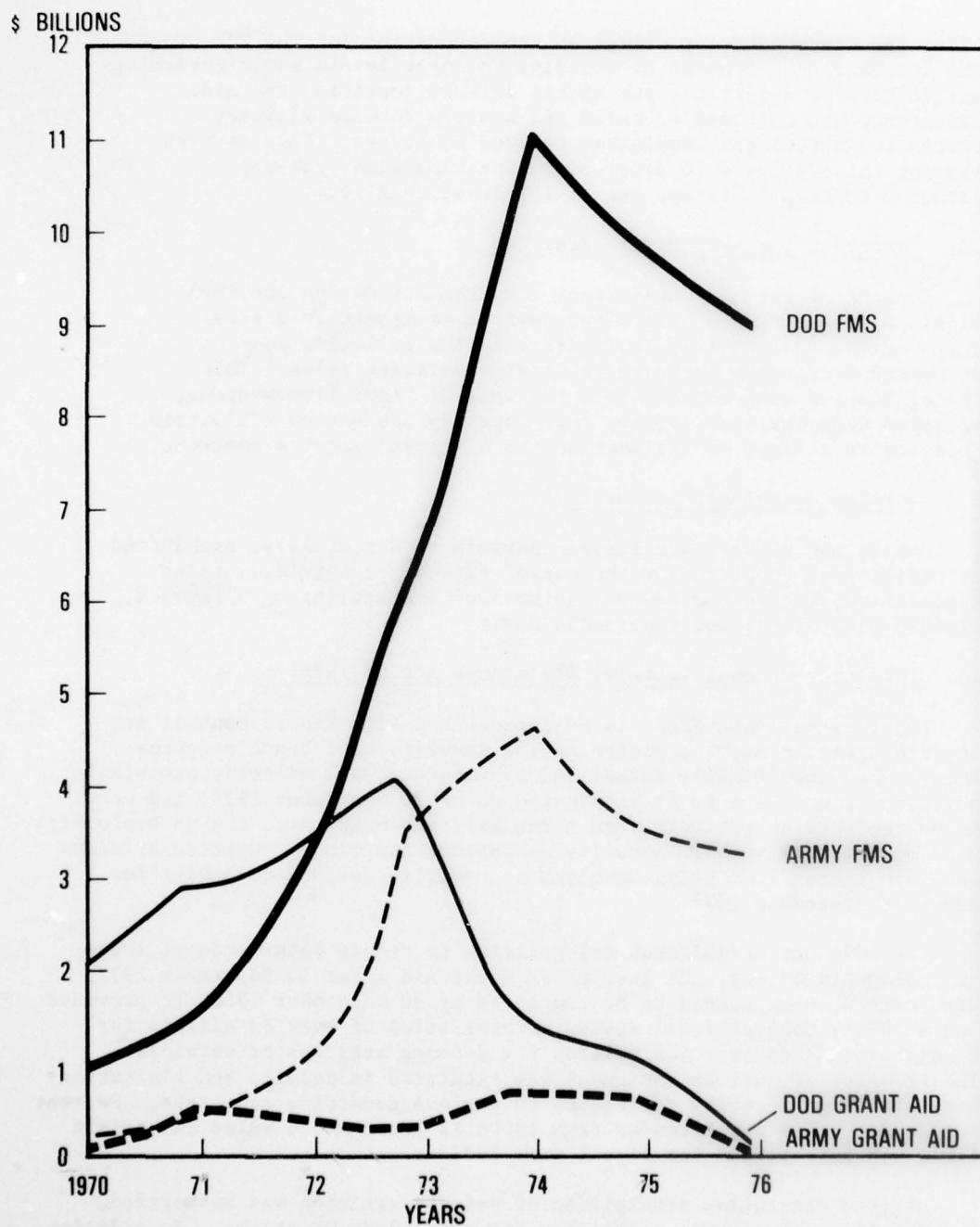


Figure 2-2. Trends in security assistance

Continuation of International Military Education and Training in the US was authorized, but was to be terminated outside the US except when reported and justified to Congress.

The Act prohibited the furnishing of defense articles to foreign countries that practice discrimination and/or provide sanctuary to international terrorists. Human rights considerations were established. The Coordinator for Human Rights and Humanitarian Affairs was established and made responsible to the Secretary of State.

19. The International Security Assistance Act of 1977.

The International Security Assistance Act of 1977 refined and modified a number of the major provisions of the 1976 Act.

Congress authorized security assistance management teams of three members each to manage military assistance, International Military Education and Training, and Foreign Military Sales in foreign countries, with up to three additional members authorized when requested by the Chief of Mission. The primary functions of the teams are logistics management, transportation, fiscal management, and contract administration. A total of 865 military personnel may be assigned to these teams. This limit on the number of personnel assigned to perform security assistance functions does not apply to personnel performing services for specific purposes and periods of time on a fully reimburseable basis.

Defense attaches, who were barred from participation in security assistance functions by the Security Assistance Act of 1976, are allowed under the 1977 Act to perform security assistance functions if determined to be the most economical and efficient means of managing the program.

Section IV. Forecast

20. The emerging nations, as they achieve greater degrees of self sufficiency, will continue to look to the United States for their military equipment needs because of the higher quality of American defense industry products. Support arrangements for equipment (which most other providing countries do not have) after major items enter a foreign inventory are another reason for the large and continuing number of sales applications envisaged for the US. Congress will continue its close scrutiny of arms export.

If the US withdraws military forces from Korea, requests for security assistance from friendly countries in the Pacific region can be expected to increase.

Because of the complexity of the unsettled political and social situation in many nations of Africa, US security assistance to that part of the world will continue to be characterized by cautious restraint and will not increase markedly.



Security assistance to Latin America will probably decrease slightly because of the increasing independence of Latin American countries and executive and Congressional perception of human rights issues in that area of the world. Security assistance to Europe/NATO will also probably decrease due to domestic production of arms by the NATO nations and by co-production arrangements for US items.

Middle East security assistance has virtually reached a saturation point in terms of contracts approved and materiel/training being received. Thus, the massive security assistance effort in that area of the world should level off, but then rise for the next generation of equipment.

In summary, taking into consideration Congressional constraints and the new administration's concern for close control of security assistance, the sales of major end items appear to have peaked. However, sales of spare parts and support services should continue to increase over the next several years and continue for an extended period.

## CHAPTER 3

### NATIONAL SECURITY ASSISTANCE PROGRAM OVERVIEW

#### Section I. General

1. Three decades ago our national foreign assistance programs were designed primarily to avert Soviet takeover of nations on the verge of economic collapse. Since then, integrated economic and military assistance programs have aimed at bolstering friendly countries' abilities to deter aggression by helping them establish adequate defense forces, a defense base, a stable economy, and a populace in support of duly constituted governments. From earlier programs based on US contributions of equipment and economic aid the US has shifted to cooperation with other nations consisting, for the most part, of cash and credit sale of equipment and services to these nations. The Foreign Assistance Act of 1961 and subsequent legislation have provided the framework for the coordinated execution of current programs of economic and military assistance which are a means of furthering US foreign policy and national security.

#### Section II. Organization, Direction and Control

2. Security Assistance Legislation. During recent years, Congressional initiatives have placed constraints upon executive branch unilateral use of military assistance as a tool of foreign policy in achieving national security objectives. Congressional sentiment leading to legislative constraints of security assistance activities may have been precipitated by executive branch reluctance to seek full Congressional approval of and participation in planning for foreign military assistance. Restrictions on the number and size of DOD military assistance organizations overseas, moves toward almost total elimination of grant aid, and Congressional monitoring of sales of major items of military equipment have reduced US flexibility in influencing the military force structure of friendly foreign nations. These restrictions have also complicated effective integration of US and friendly foreign military forces in strategic contingency planning for combined operations. Congressional influence is manifest in current security assistance legislation.

#### 3. Structure for Foreign Assistance.

a. General. The Secretary of State is responsible for general direction and overall supervision of all programs under the International Security Assistance and Arms Export Control Act of 1976.

Responsibility has been delegated to the Secretary of Defense for administering, in consultation with the Secretary of State, the Military Assistance Program; International Military Education and Training Program; Foreign Military Sales Credit; and Foreign Military Sales Program. Department of State administers commercial sales with significant Department of Defense participation. Under this procedure, the Department of Defense provides advice to the State Department on munitions licenses, sets rates for research and development recoupment, and establishes royalty and asset use charges associated with commercial sales. The Secretary of Defense carries out his security assistance responsibilities through the Joint Chiefs of Staff; the three military departments; the Assistant Secretary of Defense (International Security Affairs); and the Defense Security Assistance Agency.

b. Responsibilities of the Secretary of State. Under the Direction of the President, the Secretary of State:

(1) Provides continuous supervision and general direction of military assistance and Foreign Military Sales Programs.

(2) Determines whether there will be a military assistance program for, or a sale to, a country and, if so, the value thereof. Integrates Military Assistance Programs and sales with other US activities and foreign policy. (FAA, Sec. 622 and Arms Export Control Act, Sec. 2)

c. Responsibilities of the Secretary of Defense. Under the Direction of the President, the Secretary of Defense is responsible for:

(1) The determination of military end-item requirements/needs.

(2) The procurement of military equipment in a manner which permits integration with service programs.

(3) The supervision of end-item use by the recipient countries.

(4) The supervision of training of foreign military personnel.

(5) The movement and delivery of military end-items.

(6) The performance of any other functions within the Department of Defense with respect to the furnishing of military assistance and with respect to sales and guarantees.

(7) The establishment of priorities in the procurement, delivery, and allocation of military equipment. (FAA, Sec. 623 and Arms Export Control Act, Sec. 42d)

4. DOD Military Assistance Concept.

a. The Secretary of Defense, in coordination with the Secretary of State, directs the US military contribution to foreign assistance. The Assistant Secretary of Defense (International Security Affairs) and the Deputy Assistant Secretary of Defense (Security Assistance), through the Director of Defense Security Assistance Agency, develop, coordinate, and establish procedures; supervise, administer, and direct the security assistance program; and plan, organize, and control Military Assistance Advisory Group (MAAG), Military Group (MILGP), Military Mission and Office of Defense Cooperation (ODC) security assistance activities.

b. Congress requires annual DOD justification of MAAG's, MILGP's and Military Missions on a country by country basis. Where such justification is not presented, Congress has authorized small detachments assigned to US Embassy staffs abroad to accomplish essential security assistance functions.

c. The Joint Chiefs of Staff recommend friendly foreign country military force objectives, equipment required, and priorities in acquisition of that equipment. They also review and approve nominations of individuals nominated to be Chiefs of the MAAG's, MILGP's, missions and ODC's.

d. Military departments participate in security assistance planning, furnish data necessary for the development of the program, procure and deliver equipment against approved and funded programs, develop plans and furnish the necessary training and other services to meet objectives, recommend and provide technical assistance relevant to the Mutual Weapons Development Program and advise the MAAG's and MILGP's on weapons systems, tactics, and doctrine.

e. The MAAG's, MILGP's, and ODC's manned by personnel from the services, currently provide onsite assistance to participating countries. This assistance includes development of military assistance plans and programs, monitoring use of equipment provided and personnel trained, to include selection of students and English language testing, administration of foreign military sales transactions, and direct advisory and technical assistance services. Requests for support of needed forces are passed to the country team or



to DOD or State Department representatives in Washington. Foreign countries contribute to US security assistance plans and programs through development and justification of their own requests. MAAG/ODC's assist foreign governments in developing programs, urge appropriate use of resources, and evaluate foreign government planning prior to providing recommendations to unified command commanders. These recommendations with the appropriate unified commander's comments become input to the security assistance planning portion of the US Department of Defense Planning, Programming and Budgeting System (PPBS).

### Section III. Planning, Policy and the PPBS

#### 5. Planning.

a. Revision required. Security assistance planning is a dynamic process which requires almost constant attention of US and customer country planners. Changes in threat, foreign policy, foreign country needs, availability of resources, unpredicted price increases, fluctuation in production lead times and the availability of equipment and services influence security assistance planning and are among the causes of the need for continuous revalidation, revision, updating and refinement of security assistance plans and programs.

b. Foreign Country Initiatives. Several difficulties in security assistance planning prevent the precise forecasting of the type and amount of materiel and services to be provided to our allies during a given period. From a US standpoint, the major among these planning difficulties arises from the fact that each foreign government has the fundamental responsibility for decisions relating to its resource allocation and the level and nature of its defense effort. Thus, security assistance activity development is generally initiated within the client country. US influence on overall programs or specific requests varies from country to country. Some nations have leaders who are acutely sensitive to mutual defense goals. Nevertheless, fiscal constraints, internal political activity and other problems often prevent their pursuit of programs which support those goals. Other countries share our general defense goals, but develop their force structure independently of our strategic plans.

#### c. JCS Views.

(1) Problem Areas. In a Memorandum for the Secretary of Defense (JCSM 337-77, 15 August 1977) the Joint Chiefs of Staff observed that changes in security assistance programs in recent years have

increased the magnitude and complexity of those programs. Failure to adjust the security assistance planning process has resulted in the systems being "often cumbersome and inefficient". In mid-1976 the JCS established a special joint study group, chaired by a flag/general officer, to examine the military security assistance planning process, including the roles of the agencies involved therein, determine the elements required for effective planning and determine how well the system was meeting those requirements. The study, which was completed in mid-1977, revealed that the security assistance planning process is complex, encompassing the executive and legislative branches of government and involving foreign policy, budgeting, arms procurement, technology, production and military readiness. After almost a year of detailed investigation the JCS study group concluded that there were deficiencies which fell into 10 broad categories. These categories included the following:

(a) Security Assistance Planning Documents. Duplication of information in two or more documents, lack of clarity, inadequacy of information on non-US purchases, and limited capability to determine friendly foreign country force objectives were noted among the shortcomings in planning documents which contributed to the inefficiency of the system.

(b) Budget Process. The budget process did not lend itself to a comprehensive review of the security assistance program.

(c) Legislation. Current legislation and the legislative appropriations process constrain and add requirements to the system.

(d) Education and Training. The new DOD security assistance school was designed to improve identified deficiencies in security assistance education and training.

(e) MAAGs/Unified Commands. Many countries lack the capability to project future training and materiel requirements. Assistance is required in developing that capability.

(f) JCS/Services. Joint Staff procedures for raising security assistance issues must be improved to permit the timely identification of appropriate issues and facilitate development of recommended alternative solutions which decision makers can use in their deliberation of actions to be taken. There is concern that a corporate review is not accomplished when OJCS represents participants in interagency committee meetings. JCS should review proposed sales involving force readiness or transfer of specified high technology weapons and first line equipment.

(g) Review of Planning Data. Some problems in security assistance program planning occur because of the difference in planning time frame between JCS/OSD and State.

(h) Quality of Planning Data. Security assistance planning data could be more useful if it included information on FMS cash and commercial sales, third country procurement of defense articles and services, and an assessment of political and economic realities related to security assistance programs.

(i) Timing. Improvement in the timing of input could increase the effectiveness of that input in influencing decision makers.

(j) Lack of Influence on Decision Authority. Few existing security assistance documents are appropriate at multiple levels of authority nor do those documents seem to be effective.

(2) JCS Recommendations. The following specific actions were recommended by the JCS as means toward improving security assistance planning.

(a) Develop a Department of Defense process which, while interfacing with the planning, programming and budgeting system would focus on surfacing issues for consideration by the appropriate decision authorities (Secretary of Defense/Secretary of State).

(b) Establish a formal management, education and training program for personnel entering the security assistance field.

(c) Implement, when appropriate, unified command traveling security assistance planning teams to work with MAAG personnel in developing requirements and planning information.

(d) Establish procedures for Joint Chiefs of Staff to assess the impact on national security of proposals for foreign military sales or transfer of high technology weapon systems and equipment.

(e) Improve dialogue and exchange of information between the Department of Defense and Department of State in the early planning stages of issues that involve contemplated or suggested security assistance programs.

(f) Develop a more effective method for the elevation of critical issues in security assistance matters to the proper decision-making authorities.

(g) Provide Joint Chiefs of Staff military assessment of allied and friendly country security assistance requirements.

(h) Develop force models which can be applied to allied and friendly country military situations.

(i) The Joint Chiefs of Staff further recommended that, to address these issues, a committee be established composed of representatives from Department of Defense, Department of State and Joint Chiefs of Staff. The committee would have responsibility for reviewing the recommendations of the security assistance planning study and establishing policies and procedures for implementing improvements to the security assistance planning process.

#### 6. Policy.

a. Background. During most of the first two decades following World War II, containment was a guiding principle of American foreign policy and many US allies were recovering from the economic ruin brought about by the war. Grant aid provided a means of furnishing the military equipment and technical services needed by those nations and allowed the United States to liquidate excess inventories of older equipment. Early security assistance policy was developed within the executive branch, primarily by the Departments of Defense and State. For the most part the administrations in office maintained flexibility and discretionary authority despite increasing legislative definition of customer eligibility, conditions and guidelines. As effective friendly foreign government bargaining brought about deliveries of some of the most up-to-date equipment and gained priority on many unprogrammed deliveries, Congress began to express its concern over military technology export, effects on US military readiness and regional power balances. The third decade following the war brought an acceleration in foreign military sales. Unresolved differences between the Executive and Legislative Branches over their respective roles in foreign policy resulted in greater statutory restraints upon the executive branch. A constitutional role of the Congress is to provide an Army which, in conjunction with other Armed Forces is capable of preserving the peace and security and providing for the defense of the United States, its territories, commonwealths and possessions. Preserving the peace and providing that security, thus, is the basic mission of the Army. In accomplishing that mission Department of the Army is responsible for the training, operations, administration, logistics support, maintenance, welfare, preparedness and effectiveness of the Army. The military assistance functions performed by the Army are in support of national foreign



policy and provide some benefits which are directly related to its own military capabilities. The benefits derived include those coming from the security assistance role in maintaining a warm production base, reducing unit costs, expanding the peacetime logistics and training base, enabling standardization of materiel, services, doctrine, training and operations, and providing for mutual interchanges which enhance collective security efforts. On the other hand, there have been instances when security assistance programs have impacted adversely on the combat readiness of US forces. No significant adverse impact has resulted since the shipments to Mid East countries which occurred in the aftermath of the 1973 war. The Department of Defense, Joint Chiefs of Staff and services possess the capabilities required to assess both the benefits derived and the adverse impact resulting from security assistance programs. While the primary role of the Army is providing advice and recommendations on, rather than direct participation in, the formulation of national security assistance policy, the Army retains the inherent responsibility for selling its own points of view on security assistance policy matters which either benefit or adversely impact on mission accomplishment.

b. JCS and Service Roles. Views on JCS and service roles in security assistance policy formulation vary widely. On the one extreme they are viewed as implementing agencies with no policy role. The other extreme views them as full partners with responsibility and mission to participate in overall program direction. The Army's role will be discussed in Chapter 4. The Joint Chiefs of Staff (JCS) are the principal military advisors to the President, the National Security Council and the Secretary of Defense (National Security Act of 1947, as amended). As such, they provide military advice on the correlation of security assistance planning with military force planning and security objectives. When requested, the JCS provide military assessment of security assistance policy and policy related matters. The JCS should be consulted when a transaction would:

- (1) Impact on US force readiness.
- (2) Exceed recommended force development requirements or acquisition time frames.
- (3) Provide sophisticated, technologically advanced or sensitive systems.
- (4) Provide systems or end-items to countries for which a force structure has not yet been determined;

(5) Transfer defense articles or services having a value of \$25.0 million or more that would likely result in Congressional hearings following executive branch notifications of the intended transfer. Also, during the period between grant or FMS orders and deliveries, changes in political and military relationships between and among US friends and allies, although sometimes subtle, may require a military and foreign policy reassessment of the original military export decision, if appropriate, for major, sophisticated or controversial systems or end-items prior to actual delivery.

From time to time the Secretary of Defense or the National Security Council seek JCS views and military advice on security assistance policy matters. Sometimes, though infrequently, JCS initiatives provide views on security assistance related matters. Comments and recommendations by the JCS on security assistance policy matters, for the most part, are directed at military matters such as impact on force readiness and avoid extensive involvement in the purely foreign relations matters associated with proposed or existing security assistance policy. While JCS and service influence on security assistance policy varies from time to time and with circumstances, it is clear that their roles in security assistance policy formulation, though important, remain largely advisory rather than developmental.

7. DOD Planning, Programming and Budgeting System (PPBS).

a. General. The principal vehicles through which the Department of Defense accumulates security assistance requirements for inclusion in the PPBS are Book III (Allied and Friendly Forces), Vol II, Joint Strategic Objective Plan (JSOP) and the Military Security Assistance Projection (MSAP). The projections contained in these documents facilitate the process of making preliminary program decisions at the Washington level and enable the Military Departments to include the impact of projected security assistance requirements in their Program Objective Memorandum (POM). The "projection period" generally refers to and includes individual yearly programs covering a five year span which begins about 19 months after development of the MASP. Individual country programs include MAP, FMS credit, cash FMS, US commercial and third country acquisition projections and list total anticipated country acquisition for the projection period.

b. PPBS Cycle.

(1) The Military Assistance and Sales Manual (MASM) describes the steps in the PPBS planning cycle. (See Chapter 14, Financial for discussion of the PPBS.)

(2) The Joint Chiefs of Staff develop guidelines/format and suggest criteria for planning in May of each year. In November/December, the Secretary of Defense (ASD-ISA) (DSAA) prepares and provides the unified command detailed guidance, including fiscal constraints by individual country, reflecting the objectives developed (and perhaps modified) during the previous eight months. The issuance of this guidance initiates the revision and update of the Military Security Assistance Projection (MSAP). This revision and update is conducted in accordance with specific guidelines pertaining to each country, issued by the unified command. Concurrent with the revision and update of the plan and five year programs, the unified command develops the Joint Forces Memorandum (JFM) which includes support to other nations (Program 10). This activity is conducted during the period November through January, and includes both material and training requirements.

(3) Through Washington agency review and evaluation of all submitted plans and programs, a Program Decision Memorandum (PDM) is developed in early August. Any impact upon the MSAP and the supporting program data base must be addressed by the country team and the unified command by early September.

(4) After these revised data are compiled and provided to DSAA, the budget year and one out-year are processed and included in the budget submitted to the Office of Management and Budget (OMB) for inclusion in the President's budget decision. This action results in a submission to the Congress. The Congressional Presentation Document is prepared by DSAA, based upon the detailed program data developed by the country team and approved and submitted by the unified command.

(5) When legislative action has been completed, program levels are adjusted as necessary by the Department of State in consultation with the Department of Defense. Following these adjustments and the receipt of approval and funding, the Department of the Army is authorized to initiate implementation of the current year program (which is the budget year program submitted by the country team).

(6) Special considerations by the Department of State and Defense, in support of specific US objectives, may result in the negotiation and development of programs for a recipient country, group of countries or international organization. These considerations may force alteration of previously approved program levels.

#### Section IV. Findings/Conclusions

8. The study group concurs in the recommendations on security assistance planning made by the JCS in the Security Assistance Planning Study.

#### Section V. Recommendation

9. Continue initiatives to bring about a State/DOD/JCS committee to address the problems raised and to consider the recommendations made in the JCS Security Assistance Planning Study. (ODCSOPS)



## CHAPTER 4

### ARMY SECURITY ASSISTANCE PROGRAM OVERVIEW

#### Section I. General

1. This chapter addresses Army structure when the study began and how it was organized to accomplish its security assistance mission and carry out its role in security assistance policy and planning. A detailed discussion of organizational structure and program management, including recent decisions which have brought about changes in those areas and recommendations now under consideration appears at Chapter 16, Organization/Program Management. Army, like other military departments, plays a major role in security assistance programs as a primary implementer of approved programs. The military departments submit their views, provide information and make recommendations for use by the Joint Chiefs of Staff, Department of Defense and Department of State in reaching decisions for approval or disapproval of foreign country programs and individual requests for materiel or services. Department of Army furnishes materiel, training and other services to friendly foreign countries designated to receive assistance as directed by Department of Defense and Department of State. Department of Army also assists friendly foreign countries in employing the total package concept in requests for assistance. Using this concept, an acquisition plan is developed for each major item of materiel. The plan calls for the collateral procurement of ancillary equipment, training, technical and other needed services, initial logistics support, facilities and construction, and subsequent logistics support. As a part of the total package concept, Department of the Army conducts or arranges for training of members of foreign armies; furnishes surveys of force and logistical base requirements, and assistance in development of communications systems; advises foreign governments on armed force modernization programs, and provide supply support for major items of equipment acquired under security assistance programs.

#### Section II. Current Procedures

##### 2. Implementation and Supervision of Programs.

Department of the Army is responsible for the coordinated support of a major portion of United States security assistance programs. The execution of that support requires the implementation and supervisory efforts of a large number of headquarters staff and field agencies. Some of those elements are organized for and dedicated solely to performing security assistance activities. Others support security assistance programs on a collateral basis along with similar functions

performed in support of other Army programs. The contributions of Army offices, agencies and elements involved in security assistance are described in a DA publication, The Department of the Army, OCSA, January 1977. Data from Chapter 3 of that publication appear below as a summary of those contributions.

a. Office, Secretary of the Army. Reviews Army program, executes approved and funded program as a result of coordinated action between the Under Secretary of the Army; the Assistant Secretary of the Army Research, Development and Acquisition;

b. The Assistant Secretary of the Army for Research, Development and Acquisition (ASA(RDA)). Is the Army Secretariat point of contact for Army security assistance matters.

c. Coordinator for Army Security Assistance (CASA), Office of the Chief of Staff. Ensures coordination of all security assistance plans and programs within the Army, the correlation and integration of security assistance plans and programs with Army plans and programs, and the interaction of the Army Staff and Office of the Secretary of the Army (OSA) toward fulfillment of security assistance requirements. He also represents the Army in operational meetings with DOD and outside agencies. The CASA is the Army Staff point of contact for security assistance and is responsible for coordinating the US Army security assistance program. The CASA accomplishes his coordination responsibility for major programs/issues primarily as adviser/secretary to a corporate level Security Assistance Steering Group and as Chairman of the Army Security Assistance Coordinating Group. Descriptions of these two management forums are provided below:

(1) The Army Security Assistance Steering Group (ASASG) is a designated body of top Army managers organized to address all facets of the security assistance program requiring corporate level focus. The Steering Group is chaired by the Under Secretary of the Army and Vice Chief of Staff of the Army with representation of top managers (Lieutenant General level) from the Secretariat, Army Staff and major commands, as required.

(2) The Army Security Assistance Coordinating Group (ASACG) is a designated body of director level staff managers organized to address the security assistance program in detail and develop appropriate courses of action which assist in timely achievement of an Army position and develop recommendations for consideration/approval of the Army Steering Group. The ASACG is chaired by the CASA with representation (normally general officer) from appropriate elements of the Army Staff and major commands.

d. Comptroller of the Army (COA) has the Army Staff responsibility for the establishment of financial aspects of security assistance programs within the framework of the general financial policy and systems requirements contained in applicable legislation and promulgated by Executive Orders and Treasury Department and DOD Directives/Instructions. He is responsible for policy, principles, and systems for financing, funding accounting, and financial reporting for security assistance programs; uniform pricing and cost criteria, accounting and billing of costs associated with Military Assistance Advisory Groups (MAAG) within the framework of formal agreements made between the State Department and foreign countries; policy and procedures for collecting and reporting delinquent indebtedness to the Army by foreign governments; and preparing budget directives for security assistance programs. He provides financial management advice and technical guidance to the Army Staff, reviewing for reasonableness of cost analyses and cost factors developed by Appropriation and Program Directors related to security assistance programs.

e. Deputy Chief of Staff for Personnel (DCSPER) has Army Staff responsibilities for policies concerning military and civilian personnel procurement, individual training, distribution, management, retention, and separation in support of security assistance programs.

f. Deputy Chief of Staff for Operations and Plans (DCSOPS) has Army Staff responsibility for formulating Army views concerning security assistance policies, plans, and programs as they relate to foreign country military force objectives, priorities, missions, tasks, and requirements for force development, and determining levels of risk in relation to shortfalls associated with foreign force objectives. He is the principal adviser to the Chief of Staff on joint matters and the politico military aspects of international affairs. He is responsible for Army Staff supervision of foreign military training programs, including policy, planning, and operational guidance.

g. Deputy Chief of Staff for Research, Development and Acquisition (DCSRDA) is responsible for forecasting inventory losses and gains (paybacks) for FMS, and grants under MAP; computing the War Reserve Stock for Allies (WRSA), and special contingency quantitative requirements with Army's authorized acquisition objective; developing funding levels and budget programs within the five procurement appropriations for WRSA and Special Contingency for the budget year as well as the program years; promulgating policy and procedures for WRSA and Special Contingency to ensure consistent documentation in the Army Materiel Plan (AMP) and other budget support documents; and consideration of all non-Army funded security assistance programs in developing the Army Procurement Program, i.e., analyses of production



base capacity, and for research, development, and materiel acquisition in support of security assistance requirements; forecasting and budgeting for RDTE and production investment nonrecurring charges; and for applying collected RDTE surcharges as an offset to RDTE Budget Authority or to augment the RDTE Program.

h. Assistant Chief of Staff for Intelligence (ACSI) has Army Staff responsibility for overall coordination of the intelligence and counterintelligence activities of the Army. He provides policy guidance for disclosure of defense information to foreign governments and international organizations; foreign liaison, to include providing Army point of contact for foreign military personnel in the US; plans and executes DA VIP tour programs for CSA and SA foreign counterparts and administers MAP tours for ODCSOPS and ODCSLOG; coordinates US Army attache taskings worldwide; conducts Foreign Intelligence Assistance Program as well as monitors the intelligence aspects of security assistance.

i. Deputy Chief of Staff for Logistics (DCSLOG) coordinates the Army position and is responsible for all logistical aspects of security assistance. Specific responsibilities are:

(1) Formulating Army logistics policy and objectives, and assisting OSD, JCS, unified commands, Military Assistance Advisory Groups (MAAG's), and foreign governments in developing logistics plans, policies, and programs pertaining to the military aspects of grant aid, FMS co-production and weapon production programs, and supply support arrangements.

(2) Negotiating and participating in negotiations with foreign governments regarding sales and logistical support arrangements.

(3) Monitoring the supply of major items, secondary items, and repair parts to meet international requirements; ensuring that approved materiel requirements for international logistics customers are coordinated and integrated into the overall Army supply system, including continued support of equipment of US manufacture in the inventories of foreign countries.

(4) Developing Army resolution to US technical team problems in support of foreign countries, to include development of basic functional concepts and guidance for translation to automated logistics systems in support of international logistics functions, participating in prototype evaluations, and recommending the acceptability of the systems after obtaining user's positions.



(5) Developing and coordinating the Army Staff position and supporting rationale for the diversion and withdrawal of equipment from originally intended claimants.

j. Office of the Chief of Engineers (COE) performs engineering and construction programs for security assistance through its traditional Division and District Office organizations. Overall management of security assistance activities within the Office, Chief of Engineers is performed by the Military Construction Directorate.

k. Office of the Adjutant General is the Department of the Army's contact point for FMS and supply support arrangements involving publications. The Office of The Adjutant General processes letters of offer and passes requisitions to the AG Publication facilities. The US Army International Logistics Command (USAILCOM), a subordinate command of US Army Materiel Development and Readiness Command (DARCOM), assists in billing and accounting procedures.

l. Office of the Surgeon General (TSG) in coordination with DARCOM, manages and executes the medical elements of military cooperative logistics. The Office of The Surgeon General is the Department of the Army's contact point for FMS and support arrangements involving medical materiel or training. The Surgeon General exercises his responsibilities for:

(1) Security assistance training programs (MAP/FMS) through the Army Medical Department Personnel Agency (AMEDDPERSA) and USA Health Services Command (USAHSC);

(2) FMS and supply support arrangements for medical materiel through the United States Army Medical Materiel Agency (USAMMA), the Service Item Control Center for medical materiel. The USAMMA researches, prepares, and tenders letters of offer for medical material to support MAP/FMS pass through the USAILCOM to USAMMA.

m. United States Army Materiel Development and Readiness Command (DARCOM). DARCOM supervises the execution of the logistical aspects of security assistance programs for the Department of the Army, to include fulfillment of MAP orders, conducting analyses of supply performance, and controlling the flow of materiel earmarked for the various grant aid and foreign military sales customer countries. Specific security assistance functions are:

(1) Serves as the Army's activity for achieving security assistance objectives and for fulfilling logistics requirements established by HQDA and OSD.

(2) Manages the DARCOM security assistance programs from initial long range planning phases to development of requirements for materiel and related services in support of friendly foreign nations, execution of deliveries, completion of final accounting and close-out of programs.

(3) USAILCOM acts as a single focal point within DARCOM for: Interface of all security assistance activities with other DA, DOD and US Government agencies, foreign governments, and US/foreign industries.

n. US Army Training and Doctrine Command (TRADOC). HQ TRADOC serves as the executive agency for Department of the Army in organizing and implementing all foreign military training within the US Army in support of the Security Assistance Training Program objective. It recommends policy and procedures and participates in the planning, administration, and monitoring the development and implementation of training programs to fulfill worldwide training requirements (formal CONUS school training, orientation tours, on-the-job training, observer training, mobile training teams, and field training services teams). TRADOC tasks other lateral US Army CONUS commands for support in fulfilling Security Assistance Training Program (SATP) requirements.

### Section III. Policy and Planning

#### 3. Policy.

##### a. Army Role.

Controversy continues as to the extent of the Army's role in the formulation of national security assistance policy. At the one extreme are those who believe that Army's only role in security assistance is in implementing its portion of the national security assistance program and that Army has absolutely no active role in connection with policy formulation. At the other extreme are those who contend that the Army is a full partner in all aspects of the national security assistance program, including policy formulation and overall program direction. It is the view of this study that the Army is a major implementer of approved programs. Like the other military services and the JCS, however, its policy related role lies in providing views, advice, and recommendations on national security assistance policy rather than in participating directly as a primary initiator or final arbiter of security assistance policy. Most of Army's influence in national security assistance policy development is exercised by the Chief of Staff in his role

as a member of the Joint Chiefs of Staff and by the Secretary of Army and his representatives in interfacing with the Secretary of Defense and his representatives. Both the Secretary of Army and the Chief of Staff influence policy formulation to some extent through testimony before the Congress. The roles of the Secretary of Defense and the Joint Chiefs of Staff were previously discussed in Chapter 3.

b. Army Interests.

The policy issues which are of most concern to the Army are those which impact upon its ability to accomplish its other assigned missions. The President, with the assistance of the Secretary of State and with the advice and consent of the Congress, determines which countries will receive US assistance and the general type and amount of that assistance during a given time frame. Army assesses the impact of proposed programs on its own readiness and provides military advice on friendly force structure. The Army is also concerned with maintaining some mechanism or organization which will allow the US to influence friendly foreign country force structure and provide an effective means of coordinating, planning, and training for combined military operations. The Army should maintain the internal capability to continue to provide complete, timely and candid views, comments and recommendations on security assistance policy matters which affect Army interests. Internal Army security assistance policy is discussed in later chapters under functional headings.

4. Planning.

During the past two decades, the shift in the balance of US security assistance from predominantly grant aid to the cash and credit sale of equipment and services has detracted from the impact of security assistance planning. While the US retains control over which country will obtain equipment or services, friendly foreign governments have exercised a much more independent role in force structure determination and equipment selection now that they have begun to pay a larger share of the costs of that equipment and those services. The Army's role in security assistance planning is carried out through its input to JCS and military departments documents which are parts of the Planning Program and Budgeting System (PPBS).

#### Section IV. Findings/Conclusions

5. Complete, timely and candid comment and recommendations are essential in both the planning and policy arenas of security assistance if Army is to carry out its security assistance responsibilities without significant interference with overall mission accomplishment.

#### Section V. Recommendation

6. Continue to provide complete, timely, and candid comment and recommendations in both the planning and policy arenas of security assistance. (ODCSOPS)



## Chapter 5

### Foreign Military Training

#### Section I. General

1. The training segment of the Security Assistance Program continues to be an effective means of establishing contact and developing rapport with the potential military leaders of other nations. It is an essential factor in the introduction of new equipment into a foreign country and in assisting foreign countries to operate and maintain US equipment. Foreign Military Training (FMT) includes formal or informal instruction of foreign personnel in the US or overseas by officers or employees of the US, contract technicians, contractors, (including instruction at civilian institutions) or by correspondence courses, technical, educational, or information publications and media of all kinds, training aids, orientation tours; training exercises; and military advice to foreign military units. Training Program objectives are:

- a. To encourage effective and mutually beneficial relations and increased understanding between the US and foreign countries in furtherance of the goals of international peace and security.
- b. To improve the ability of participating foreign countries in utilizing their resources, including defense articles and defense services obtained by them from the US, with maximum effectiveness and thereby contributing to greater self-reliance by such countries.
- c. To improve standardization and interoperability between the US and allied forces to enhance joint operations.

#### Section II. Direction and Control

2. Department of Defense (DOD). The Secretary of Defense (SECDEF) is charged under the Foreign Assistance Act of 1961, as amended, with the overall supervision of Security Assistance Training Program (SATP). The Assistant Secretary of Defense for International Security Affairs (ASD/ISA) acts for the SECDEF on matters dealing with this program and through the Defense Security Assistance Agency (DSAA), controls the SATP and approves the training requested by countries.

3. Unified Commands. The Unified Commands are charged (under DOD Directive 4132.3) with carrying out the SATP within their respective areas of responsibility, to include supervising and directing MAAGs (or any US representatives) in the development of recommended plans and programs as established by the ASD/ISA, the Joint Chief of Staff (JCS) and the military departments.

4. Military Assistance Advisory Groups (MAAGs). The MAAG serves as the US Agency responsible for administration of the in-country SATP. For the purpose of this chapter the term "MAAG" herein is used to identify whatever agency in a particular country is responsible for SATP. This may be a MAAG, Mission, a Joint US Military Advisory Group, Office of Defense Coordination (ODC), Defense Field Office, or Defense Attache Office (DAO). As authorized representatives of SECDEF in countries to which they are assigned, the US Army Sections of MAAGs are responsible for developing training programs and providing advisory services and training and technical assistance to recipient countries. The MAAGs assist in selecting students and ensuring that prospective students meet security and course prerequisites. They are required to initiate student records, i.e., invitational travel orders, biographical and other data and provide a briefing as prescribed by AR 550-50 to all prospective students prior to their departure from home country. MAAGs also ensure that a FMS case has been signed and financial requirements met or that a MAP order has been released prior to such initiation.

5. Department of the Army (DA). Army staff responsibilities for SATP are briefly summarized below:

a. Chief of Staff. The Chief of Staff is charged by the Secretary of the Army with management responsibility.

b. Coordinator for Army Security Assistance (CASA). Within guidance prescribed by the VCSA/CSA, the CASA acts as the principal Army staff representative and single point of contact within the Army staff relative to security assistance training and interacts with OSA, DOD and other agencies as appropriate.

c. Deputy Chief of Staff for Logistics (DALO). The DCSLOG is currently responsible for "Total Package" development, to include training, in coordination with DCSOPS.

d. Deputy Chief of Staff for Operations and Plans (DAMO). The DCSOPS has Army staff responsibility for formulating and promulgating Army views concerning security assistance training policies, plans, and programs. The DCSOPS has no command jurisdiction over the Army sections of MAAGs, but prescribes Army programming and directs the implementation of programs for training provided to foreign countries.

e. The Surgeon General. The Surgeon General provides medical services to foreign students through Health Services Command.

f. Comptroller of the Army (COA). The Comptroller of the Army has Army staff responsibility for the financial aspects of SATP.

g. The Assistant Chief of Staff for Intelligence (ACSI). The ACSI has Army staff responsibility to approve disclosure of defense information to foreign students; to approve release of classified training materiel; and to monitor visits by foreign nationals to US Army installations including DA VIP, IMET and FMS orientation tours.

h. The Deputy Chief of Staff for Personnel (DAPE). The DCSPER has Army staff responsibility for policies concerning direction and control of the procurement, training, distribution, management, retention and separation of all military, US civilian, and local national civilian personnel in support of the SATP.

i. The Adjutant General (TAGO). The Office of the Adjutant General is the Department of the Army contact point for foreign military sales and supply support arrangements involving publications.

6. Major Commands (MACOM).

a. Training and Doctrine Command (TRADOC). TRADOC serves as the executive agent for DA in organizing and implementing all foreign military training using CONUS Army resources in support of SATP objectives. It develops, in coordination with DA, Armywide procedures governing the SATP involving CONUS resources. TRADOC administers training programs to fulfill worldwide training requirements encompassing: formal school training, orientation tours, on-the-job training, observer training, mobile training teams and field training service teams. This command tasks lateral US Army CONUS commands for support in fulfilling SATP requirements. It supervises the training and orientation provided to foreign personnel at all US Army CONUS service schools, units, installations, agencies and provides guidance and instruction with respect to these programs. As required under Foreign Military Sales cases, the command plans and develops comprehensive time-phased training programs peculiar to the force structure and manpower availability of foreign countries concerned based on precise knowledge of the equipment and weapons being sold. It maintains liaison with DSAA (through DA), Unified Commands, and MAAG components overseas to coordinate requirements and to finalize training programs. TRADOC also conducts annual Army Foreign Military Conferences for US personnel involved in the training administration of foreign personnel for the purpose of exchanging information, resolving problem areas, and effecting overall program improvements.

(1) The Security Assistance Training Management Office (SATMO), Fort Bragg, North Carolina. SATMO serves as the point of contact through which MAAGs obtain training expertise, training literature and information on aids essential to the conduct of in-country training. At the direction of TRADOC, SATMO prepares plans and costs estimates for deploying Mobile Training Teams (MTT) and Technical Assistance Teams (TAT), identifies personnel to staff teams, and assists in predeployment preparations as required.

(2) US Army Training Support Center (TSC), Fort Eustis, Virginia. USATSC develops and maintains mid-and long-range plans for providing training support materiel available for FMS and coordinates with US Army Materiel Development and Readiness Command (DARCOM) the training support products required for materiel FMS cases. It establishes price and availability of training support materials and coordinates distribution.

(3) Army Schools and Training Establishments. These activities conduct training and orientation programs for foreign personnel and provide necessary support in fulfilling missions and objectives assigned by AR 550-50. Commanders maintain a Foreign Training Support Office to manage foreign military training and orientation programs and coordinate all foreign personnel administration, support and services.

b. Other Major Commands. Other MACOMS provide training support and assistance as required in the execution and management of the SATP.

c. DARCOM - US Army International Logistics Command. USAILCOM functions as the customer surrogate in CONUS for security assistance activities and maintains a master program record on training.

d. US Army Security Assistance Agency Latin America, (USASAALA). USASAALA was established in 1976 as a field operating activity in the Panama Canal Zone under ODCSOPS. It's mission is to manage the Army's portion of the security assistance program for Latin America, and supervise the School of the Americas in the Canal Zone. USASAALA has been designated executive agent, under AR 10-51, for execution of its assigned functions and activities.

### Section III. Current Procedures

#### 7. Requirements

a. Requirements for foreign military training arrive at Army training agencies in a variety of ways. All requirements initiated



by the foreign client, in coordination with the MAAG, are defined into training lines to meet the needs and desires of the client.

b. Training is provided to the foreign client through International Military Education and Training (IMET), formerly Grant Aid, or through Foreign Military Sales (FMS). The FMS cases are either pure training cases or are training lines on materiel cases.

c. IMET is controlled by Congressional appropriation, divided by region and allocated to countries by the Unified Commands. The MAAGs, within the dollar constraints, develop the program in concert with the client country. The annual country programs are submitted to TRADOC and are scheduled as reflected in Figure 5-1. MTTs and TATs are programmed in the same manner. Predeployment preparation of MTTs, TATs and TAFTs (Technical Assistance Field Teams) is currently the responsibility of SATMO, DA Staff, DARCOM and other agencies. DSAA controls and approves all IMET training and the Army provides the service within its capabilities on a reimbursable basis.

d. FMS training cases are developed in a similar manner with the MAAG/client country developing the requirements and submitting it through appropriate channels, i.e., State, DOD/DA, for concept approval. TRADOC develops the defined lines, price, availability, and sequencing data and forwards this information to USAILCOM, where the DD Form 1513 (Letter of Offer) is prepared. The DD Form 1513 is forwarded through the DA staff and DOD (DSAA) to the country concerned for acceptance and payment. (See Figure 5-2) This procedure also applies to MTTs and TATs.

e. Training lines that are part of FMS materiel cases are programmed as shown in Figure 5-2 except that the requirements are received from DARCOM.

f. TAFT requirements are developed and FMS cases prepared by ODCSOPS/ODCSLOG and are assigned to ODCSPER for implementation.

g. Figure 5-3 depicts the detailed predeployment interface required to prepare an FMS/IMET Mobile Training Team.

h. All FMT requirements for Latin America pass to DSAA through USASAALA.

8. Student Documentation. On 1 September 1977 the preparation of Invitational Travel Orders (ITOs) was standardized for all services. This action alleviated a troublesome problem for the MAAGs and the training activities. In the past, separate forms were required by the services.

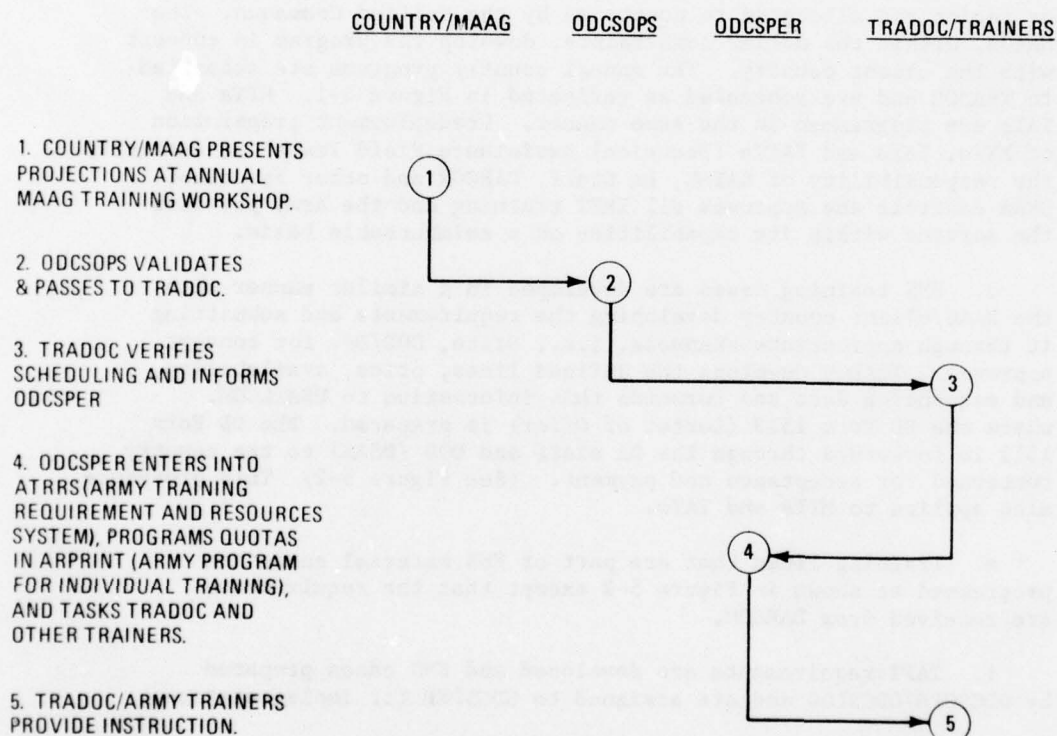


Figure 5-1. Programming of foreign military training spaces in CONUS schools (IMET).

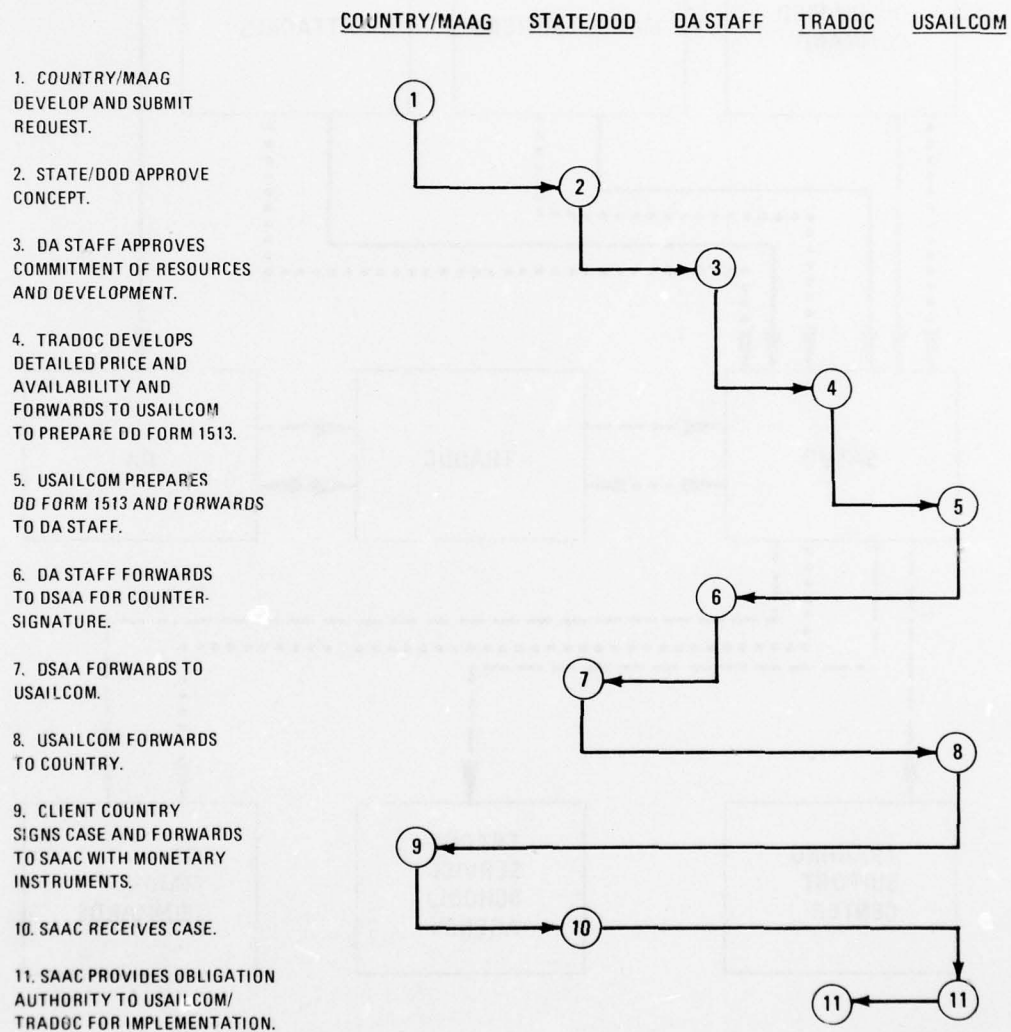


Figure 5-2. Programming of foreign military training spaces using CONUS resources (FMS).

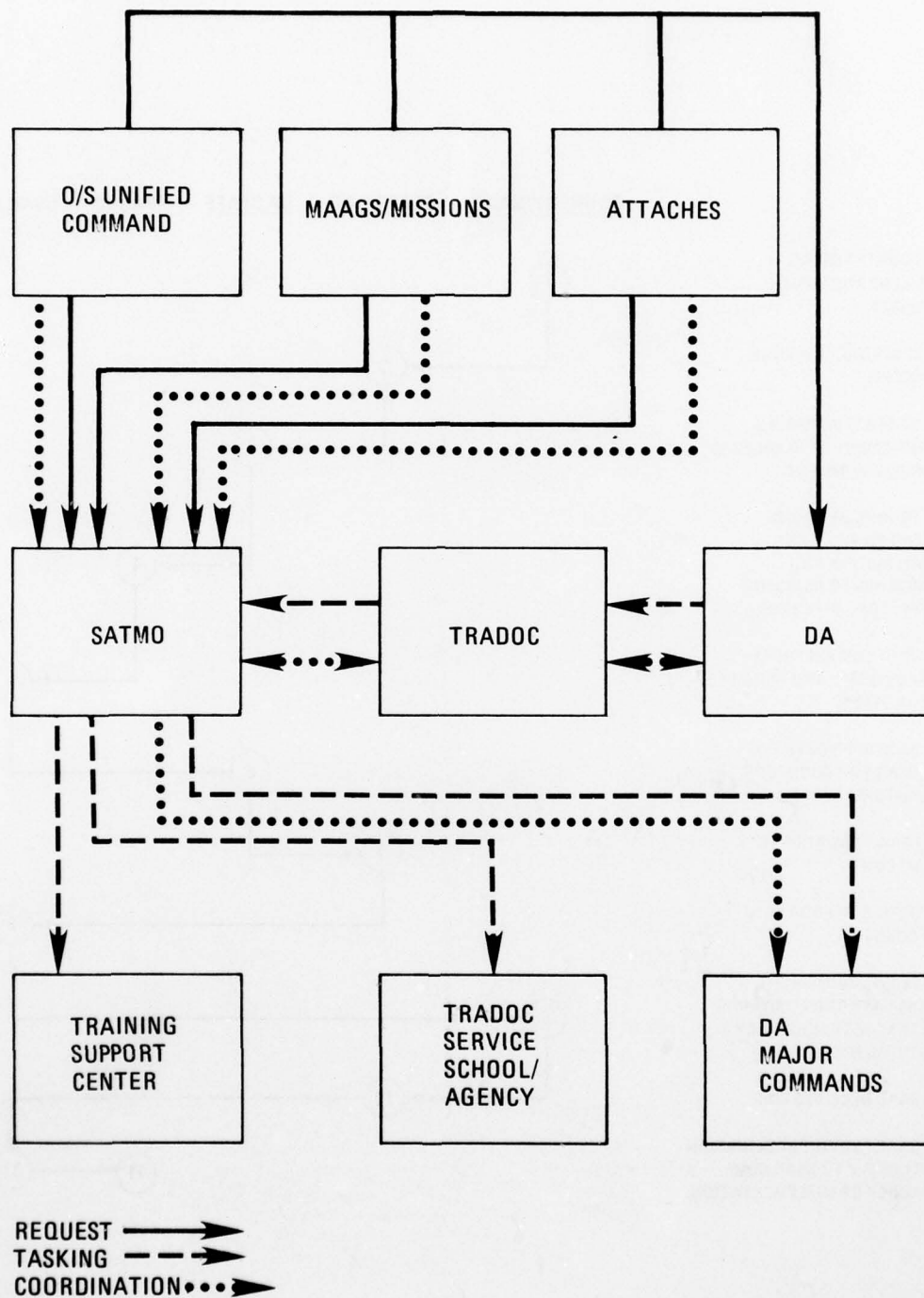


Figure 5-3. Predeployment interface of MTTs.



#### 9. Pricing.

a. Wide variation in course costs, resulting from recent changes to SATP pricing guidance have significantly reduced the amount of training requested by most countries.

b. Under current directives foreign student population cannot be used to justify additional equipment for the training base. Although the US Government (USG) receives an asset use charge as part of the course cost, the shortage of equipment has resulted in double and triple shifting of classes at selected training installations. However, this condition has, at the same time, caused excessive wear and tear on the training equipment sets. Because the asset charge is returned to the Treasury, the Army does not receive this money to replace items.

c. The USG requires and obtains reimbursement for the full cost of training provided foreign students. Military salaries, however, are not computed in IMET costs. Conversely, the US accepts training in foreign military schools on a reduced or no-cost basis. In addition, there is a flow of personnel in both directions to take advantage of training areas for which no reimbursement is given or expected. These variances in pricing treatment has often caused confusion and criticism.

#### Section IV. Problem Areas

10. Programing of Foreign Military Training Spaces. The procedures, depicted in Figure 5-2, require an inordinate amount of time in passing correspondence from TRADOC to USAILCOM to the DA Staff to DSAA and back to USAILCOM prior to dispatch to the client country. This time delay can be materially reduced by having TRADOC prepare the DD Form 1513, forward it to USAILCOM for inclusion in the Master Program Data file, and then forward it to DSAA for countersignature.

11. Total Package Concept. Although emphasized in the 1975 study, the concept of total package planning for FMS has not been fully implemented. The DARCOM commodity commands, because of their unique relationship with contractors and in-country representatives have, at times, unilaterally designed and included training as part of materiel cases without consultation with TRADOC. Early TRADOC involvement is critical, and must be assured to preclude adverse impact on the training base.

12. Requirements Determination. The total number of IMET students in the CONUS training base is limited by law. Foreign students are further limited in DA staff allocations by course and country for selected courses. Since the majority of students are trained under FMS, it is difficult to forecast the expected input of foreign

students. The annual Unified Command training conference provides fairly accurate data for IMET. However, for FMS training, countries can forward requests directly at any time. This open door policy causes problems in scheduling when State Department approves the concept and passes it to the Army for implementation. There is a need for procedures to assist in forecasting requirements in a timely and accurate manner.

13. Staffing for TRADOC. Until 1975, all planning for SATP was done by the DA Staff and TRADOC was involved only in allocating quotas, scheduling, and conducting training in TRADOC schools. In 1975, TRADOC was made DA Executive Agent for training execution and provided minimal staffing. This staffing did not provide for automation or centralization of the financial aspects at HQ TRADOC.

14. MTT Management. SATMO has developed a highly efficient system to plan and prepare personnel for deployment on MTTs. The system has been used to support TATs for DARCOM as well. TAFTs are currently managed by ODCSOPS, ODCSLOG and ODCSPER/MILPERCEN. The missions are similar except that TAFT personnel are deployed in a PCS status. This multiple agency involvement in a function places the DA staff in an operational role. The management of TAFTs is weak and although responsibility has been clearly defined for the follow-on billing and reimbursement in letters and messages by COA and DSAA, such procedures have not been formalized in DOD Directives and Army Regulations.

15. Multiple Regulations. Currently, personnel involved in the management of security assistance in the MAAGs are required to use regulations and procedures developed by each service. Although all service regulations are derived from DOD Directives, each service has established different procedures. This complicates the workload of the individual assigned to a MAAG responsible for managing training for all three services.

16. Payment for US Courses vs US Attendees at Similar Foreign Schools. Currently, the law on pricing for foreign student training has been interpreted to mean that full payment must be made. At the same time, some US students in foreign schools receive tuition-free instruction. Several countries have expressed concern about this. In addition, there are on-going operational exchange programs under provisions of AR 614-10 which could be interpreted as security assistance, but which are not included in the program.

17. Responsibility for Preparing and Executing Training. The responsibility for planning, requirement determination and decisionmaking to meet foreign requests for training is currently divided between the DA Staff, TRADOC and DARCOM. This splintering of responsibility

has resulted in duplication of effort, oversights, and inevitably, in crisis management.

18. Functional Alignment of USASAALA. USASAALA has been given authority to deal directly with DSAA. This action has resulted in DA and TRADOC being by-passed on training cases.

#### Section V. Findings and Conclusions

19. No single entity within the Army has the responsibility for defining detailed training requirements and developing the requisite plans to support approved security assistance objectives. To simplify and improve the management of security assistance training, the responsibility should be assigned to TRADOC. The need to inform the client countries of the requirements for advance planning of training must be institutionalized.

20. Currently, development of materiel cases is assigned to DARCOM and some of these cases include training. There is a need to involve TRADOC at the onset to ensure that training implications are recognized and considered at the onset of the development of materiel cases if the total package concept is to be viable.

21. As specified by law, contractor support for security assistance training should be used wherever possible. Plans should be developed to phase CONUS training from the US Army Training base into contractor operated activities. In particular, this should be done for foreign countries who require training on items of equipment that were purchased from the Army and which have been phased out of the US inventory.

22. Presently, the law has been interpreted that US monetary instruments must be received for every foreign student who attends a US provided course of instruction; yet US students are attending courses in foreign military schools at no cost to the US. It appears that an exchange or a quid pro quo basis could be arranged without violation of the law. The benefit to be derived from such a program would be improved relations with client countries.

23. The Automatic Data Processing (ADP) system that supports security assistance is logistical system and requires modification to accommodate training data.

24. A TRADOC training cell must be assigned to the Washington Field Office to assure that training implications are recognized and considered in the development of materiel cases.



25. Several agencies have similar responsibilities for the management of MTTs, TAFTs, and TATs. The requirement definition and predeployment preparation are very similar, yet several different agencies are involved. More effective management and control could be achieved by assigning the responsibility for MTTs, TAFTs and TATs to one agency.

26. TRADOC provides all of the detailed information for the DD Form 1513 preparation on training cases and training lines in material cases, but does not prepare them in final form. Assignment of responsibility for training case preparation and for close out of training lines and cases to TRADOC should improve management and preclude loss of reimbursement to the US Army.

27. The problems associated with having a separate security assistance regulation for each service increases the probability of errors in program initiation and could cause MAAG/ODC personnel problems in pre-paring documentation. Therefore a single tri-service regulation should be developed to standardize training administration.

#### Section VI. Recommendations

28. TRADOC retain its current responsibilities for foreign military training and in addition:

- (1) Prepare DD Form 1513's for FMS training cases.
- (2) Establish and staff a central financial management office at HQ TRADOC for training provided by the security assistance program.
- (3) Staff an element at the Washington Field Office of USASAC to facilitate identification, development and coordination of training requirements.
- (4) Provide all training MASL update information for US Army to DSAA.
- (5) Prepare and execute FMS/IMET requirements for MTTs, TATs, FSTs, and TAFTs.

29. Approve and allocate manpower resources to support the increased TRADOC mission (DAS/ODCSOPS).

30. Seek legislative relief to allow procurement of equipment to conduct CONUS training for multiple nations using movies generated by asset-use-type charges (ODCSLOG/ODCSOPS).



31. Determine the appropriate agency to manage the School of the Americas (ODCSOPS).

32. Develop procedures, in coordination with DARCOM and TRADOC, to improve the training requirement forecasts by MAAG's/ODC's (ODCSOPS).

33. Direct that USASAALA forward training program changes to HQ TRADOC for entry into the master program record (DARCOM).

34. Determine the feasibility of training US students in foreign schools on a quid pro quo or exchange basis with foreign students in similar US courses (ODCSOPS).

35. Take action through the Joint Staff identifying the need for and requesting development of a joint regulation to standardize security assistance administrative procedures for training (ODCSOPS/ODCSLOG).

## CHAPTER 6

### LOGISTICS

#### Section I. General

1. Introduction. It is the Army's logistical infrastructure and systems which are used for overall administration and management of the security assistance program. Therefore, this chapter was written not only to describe how the logistics portions of the task are accomplished, but also to describe how the logistical infrastructure is presently utilized to provide overall administration and management of the program.

2. Background. As the TASAPS 77 study of the security assistance logistics function progressed, there emerged a need to establish an understanding of the following topical areas:

- a. Meaning and application of the term, "International Logistics".
- b. Use of the Army's logistics infrastructure and systems to meet security assistance requirements.
- c. Changes in the security assistance program since completion of the CASA study in October 1975.
- d. Effect of the establishment of the Security Assistance Accounting Center (SAAC) on the Army's responsibilities for its security assistance program.
- e. Scope and nature of the present security assistance program.
- f. "Total Package" concept.

3. Application of Term, "International Logistics (IL)" The term, "International Logistics" as it is often applied to the Army's security assistance program is a misnomer. For example, FM 38-8, International Logistics Management, defines International Logistics as synonymous with security assistance. Actually, International Logistics is not synonymous with security assistance. It is part of security assistance - the logistics part. International Logistics (JCS Pub 1 paraphrased) is the negotiating, planning and implementation of support logistics arrangements between nations, their forces and agencies. It includes furnishing logistics support (major end items, materiel and/or services) to friendly foreign governments,

international organizations or military forces with or without reimbursement. Of greater importance than the incorrect definition of the term "International Logistics" in such publications as FM 38-8 is the fact that, in actual practice, it has become a generic term under which the Foreign Military Sales (FMS) program and the Military Assistance Program (MAP) are primarily executed and managed. With few exceptions, this is true whether used in the context of functional alignments, organizational interfaces or "de facto" assignments of program management responsibilities. Again, with few exceptions, it is true at all levels from the DA Staff down to the lowest echelon of the field commands and agencies. At the DA Staff level, it is the International Logistics Directorate in the ODCSLOG that has the preponderance of responsibility for the security assistance program. With the exception of Joint Planning Actions and those few actions which the Coordinator for Army Security Assistance (CASA) shreds out as falling totally within the functional responsibility of staff elements other than DCSLOG, it is ODCSLOG-IL which is assigned the actions. If a requirement crosses functional lines, ODCSLOG-IL takes the lead. In the field, it is the DARCOM USAILCOM which has overall responsibility for coordinating the administration of the program with the other commands and agencies which play a part in the security assistance program. The degree to which DCSLOG-IL and USAILCOM become involved with other DA Staff agencies and other MACOM's/agencies respectively, vary widely with the type actions being taken and the procedures which have evolved to handle them. The differences will be covered in detail throughout this report. The important point is that it is the logistical infrastructure and systems which are used for overall program administration and management. Since TASAPS-77 determined early in the study that this was the case, the logistics part of the study was pursued not only to determine how the logistics portions of the task are accomplished, but also to determine how the logistics infrastructure is used for the overall administration and management of the program. This chapter reflects that approach.

#### 4. Use of the Army's Logistical Infrastructure to Meet Security Assistance Requirements

a. There is no International Logistics (IL) system, per se. IL requirements for materiel and services are handled by the same organizations, procedures and systems used to support Army requirements. The basic functional requirements for IL are entering foreign requirements into the systems, accomplishing delivery and management. FMS and Grant Aid requirements move through the systems in much the same way. There are only two principal differences between the ways Grant Aid and FMS logistical requirements are handled. First, action for FMS requirements is initiated by a Letter of

Offer and Acceptance (LOA) which is signed by both a US Army representative and by an official of the foreign government, whereas action for Grant Aid requirements is initiated by the DSAA issuing a document called a "MAP Order". Second, the foreign government reimburses the Army for the materiel and services provided under FMS whereas DSAA reimburses the Army with appropriated funds for Grant Aid materiel and services. Because of this and because the Grant Aid program is small and scheduled to be phased out after September 1977, Grant Aid will not be addressed in this chapter. What is said for FMS applies, in principle, to Grant Aid.

b. The significance on the TASAPS 77 effort of the fact that there is no IL system, per se, was not fully appreciated initially. Only after visits to the DARCOM commodity commands did it become apparent that security assistance actions are of such magnitude and are so intertwined with and reliant upon the Army's own infrastructure and systems that devising a revolutionary way of meeting security assistance requirements at the performing command level would not be feasible. This was reported and agreed to during the second in-process review (IPR) presented to the Army Security Assistance Coordinating Group (ASACG).

c. To fully appreciate the conclusion reached by TASAPS 77 as outlined in the above paragraph, there must be an understanding of:

(1) The size and complexity of DARCOM - 117,127 personnel assigned to principal organizations depicted in Figure 6-1, all of which are involved, to some degree, in security assistance.

(2) The fact that the preponderance of the Army's effort in security assistance is logistical as evidenced by:

(a) 83.1% of FMS cases are logistical. (Figure 6-2)

(b) Dollar value of open FMS cases. (Figure 6-3)

(c) Number of personnel spaces dedicated to security assistance. (Figure 6-4)

(3) The fact that Army logistical and logistical related systems and procedures (MILSTRIP, MILSTAMP, MILSBILS, ASPR's) have evolved over the last 25 years to accommodate both US Army and security assistance requirements. They are complex. They are also inseparable



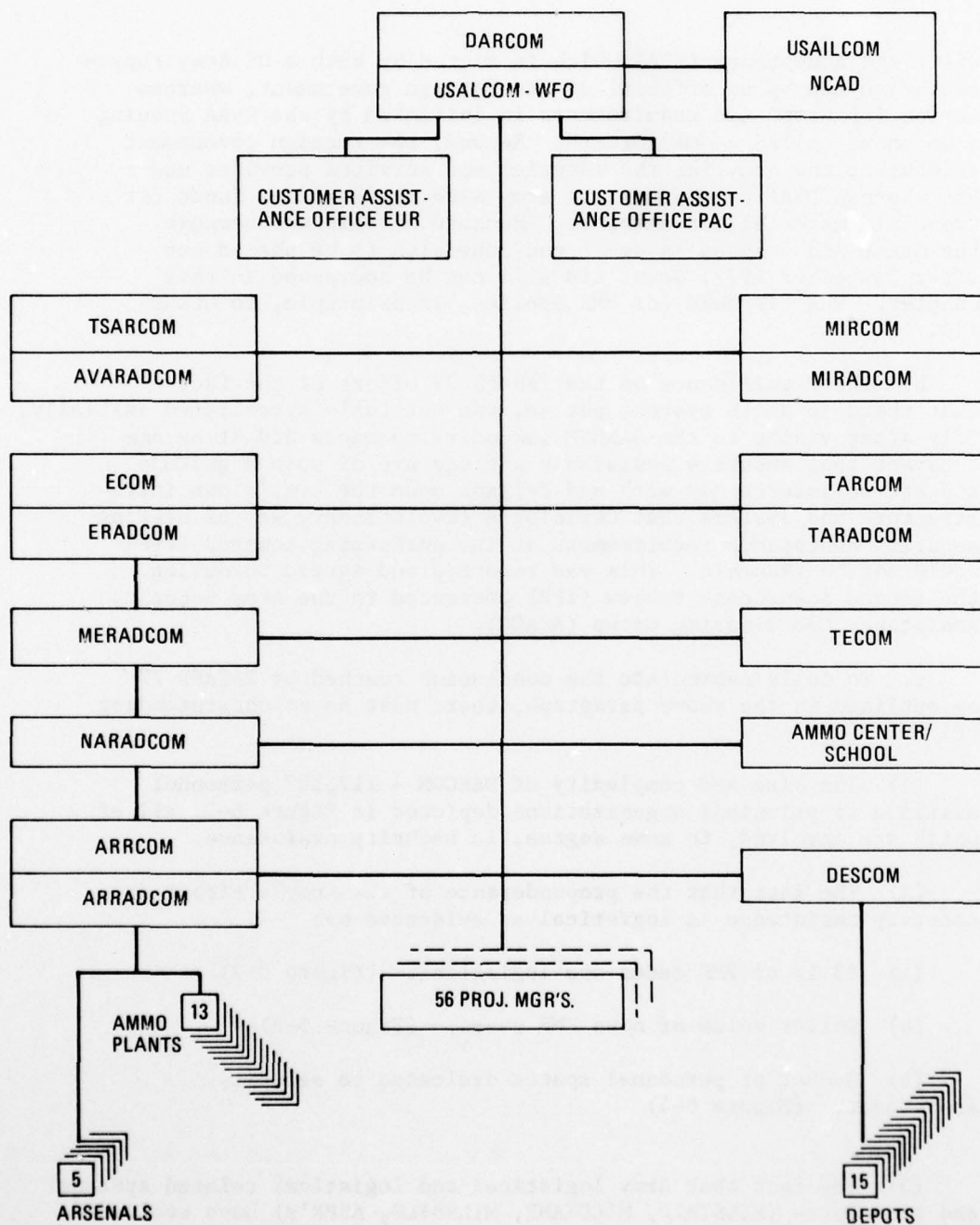
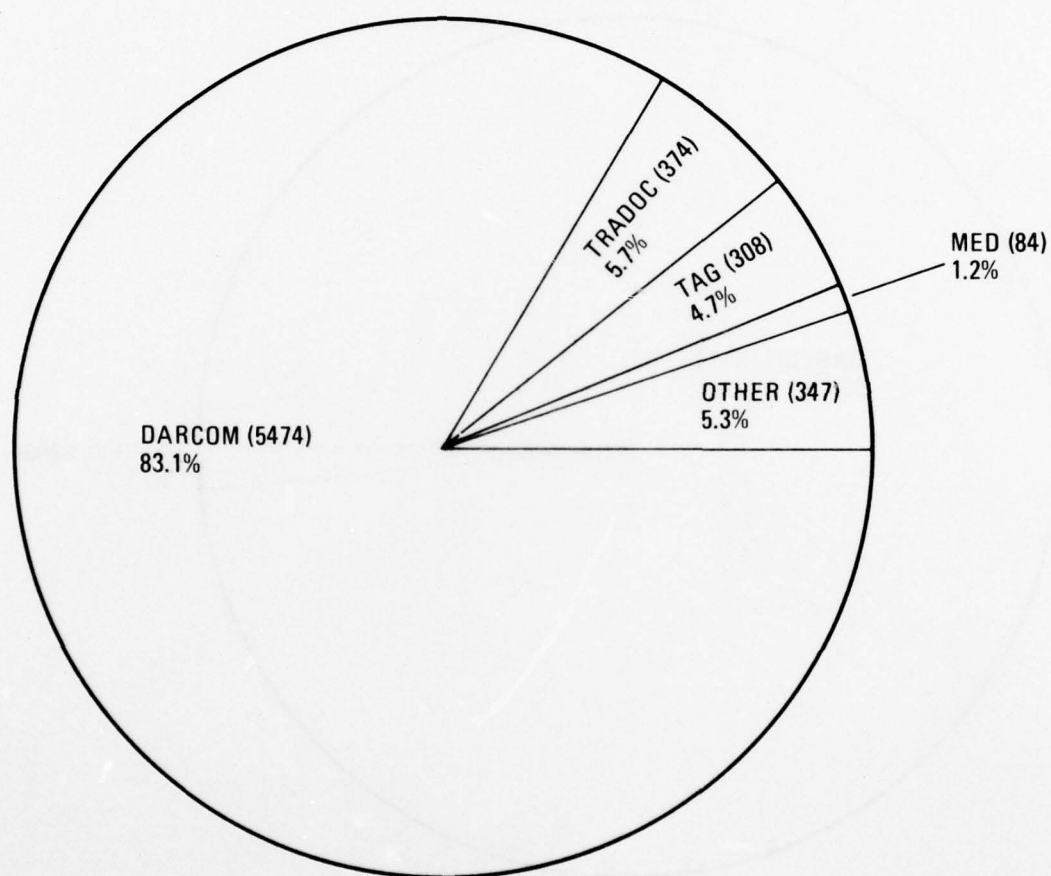


Figure 6-1 DARCOM organization

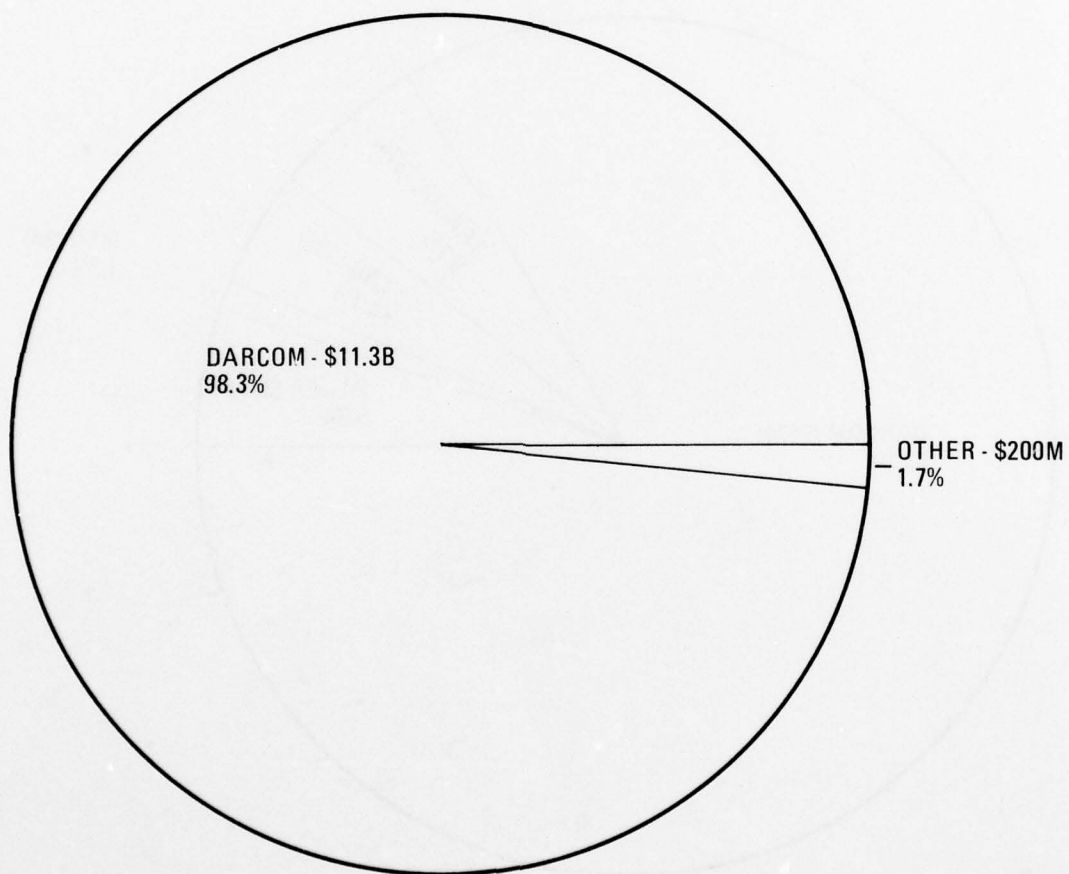
6,587\* OPEN FMS CASES



\* INCLUDES CORPS OF ENGINEERS (35).

Figure 6-2 Number of open FMS cases

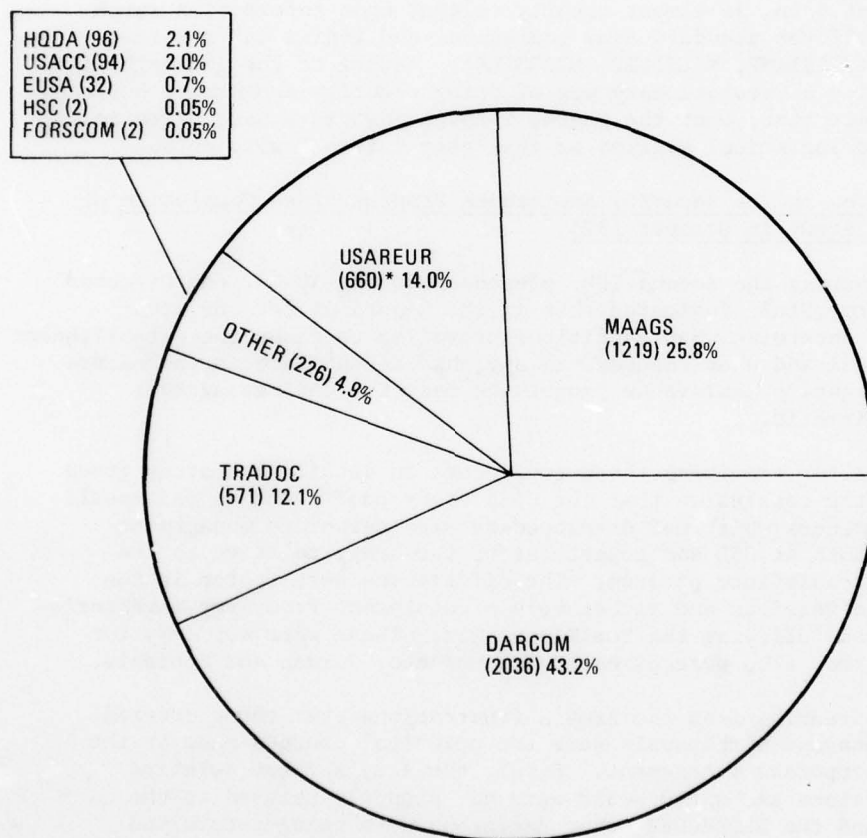
VALUE OF OPEN FMS CASES \$11.5 BILLION



\* DOES NOT INCLUDE CORPS OF ENGINEERS CASES - \$6.9 BILLION

Figure 6-3 Dollar value of open FMS cases

4712\* SECURITY  
ASSISTANCE PERSONNEL  
SPACES



\* DOES NOT INCLUDE CORPS OF ENGINEERS (936).

Figure 6-4 Personnel spaces



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ARMY SECURITY ASSISTANCE PROGRAM STUDY GROUP ALEXAND--ETC F/6 15/7  
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in meeting US Army and security assistance requirements. This is evidenced by the fact that the Security Assistance Master Program Record, which is the sole source for the Army's security assistance management data, is almost totally reliant upon information which is bled off the standard Army logistical and logistical related systems (MILSTAMP, MILSTRIP, MILSBILS). Adding to the infeasibility of devising a revolutionary way of doing security assistance business is the fact that, over the years, foreign customers have patterned their own logistical systems so that they interact with ours.

5. Changes in the Security Assistance Program Since Completion of the CASA Study in October 1975.

a. During the second IPR, presented to the ASACG, the Director of the Army Staff indicated that it was important for the study group to determine what conditions prevailed to cause the establishment of the CASA and what changes, if any, had taken place in the nature of the security assistance program to make the CASA management concept invalid.

b. After examining these two issues in detail, the study group came to the conclusion that the CASA study came about as the result of differences which had developed between corporate management levels, both at OSD and Department of the Army, relative to the security assistance program. The differences were rooted in the ordered diversions and withdrawals of equipment from Army inventories during and following the Yom Kippur War. These were not only for Israel, they also were directed for Morocco, Jordan and Ethiopia.

c. Stemming from the Army's frustrations over these ordered diversions and withdrawals were two principal charges made by the Army's corporate management. First, the Army's views relative to diversions and withdrawals were not properly relayed to the SECDEF and the DEPSECDEF, when decisions were being determined and, secondly, that the OSD pricing policies did not allow full replacement of the items ordered withdrawn from inventory.

d. The OSD corporate management countercharged that the Army was negative and not responsive. The specific complaint was that the Army did not provide viable options in response to decisions which had been made for political-military reasons and which had an adverse impact on Army readiness. In nearly every document where the countercharges were made, DOD also specifically complained that the Army lacked a single focal point and spokesman with whom they could do business.

e. As to what has changed in the nature of the security assistance program since the formation of the CASA - there are two prime changes:

(1) First, diversions and withdrawals have essentially stopped. They are not being requested very often. It is the perception of those with whom we talked, both within and without the Army, that the great influx of materiel into the Middle East countries is outpacing the speed with which those countries can train their forces to absorb it. Foreign nations are now more willing to wait for normal lead times.

(2) Secondly, the Army has significantly improved its procedures and increased the size of its security assistance infrastructure to manage, in normal fashion, the program which hit it like a tidal wave following the Yom Kippur War.

f. In addition to the changing nature of the program since the CASA study, there were other developments and directed actions which impacted heavily on the handling of the FMS requirement and management of the program. Among the more important are:

(1) Financial Impact Caused by Growth of the Program. The phenomenal growth of the program following the Yom Kippur War caused the surfacing of a number of procedures which were inadequate in the financial management area. They are outlined here to illustrate the impact they had on the overall handling of FMS requirements and management of the program and not just from the aspect of financial management, per se, which is presented in Chapter 14. Each of the examples cited here caused significant changes to established procedures and systems resulting in confusion and turbulence throughout the vast array of organizations which take part in administering and executing the program. For example, due to non-implementation by DARCOM and MSCs of DODI 2140.1 and AR 37-80, inadequate funds were being requested of the foreign governments to cover progress payments being made to contractors for long lead time items. Previously, Army appropriated monies in the operating accounts were used to cover the expenditures until recoupment was made from the foreign government just prior to, or coincident with, delivery of the materiel. Since FMS procurements represented approximately 50% of the total Army procurements, as they did shortly after completion of the CASA study, the available appropriated funds proved inadequate and several of the operating accounts literally went bankrupt. To counter this, emergency actions were taken to "push" monies out of the trust fund into the operating accounts and a crash program of forecasting future requirements was instituted. In the latter

case, the result was requests for sizeable sums of monies which were unexpected by the foreign governments. They were unexpected because the foreign customers had largely based their budgets on forecasted deliveries and not forecasted progress payments. Israel was particularly hard hit because the security assistance bill which was to provide them \$1.5 billion in military aid for FY 1976 was not enacted until the last day of that fiscal year. The foreign customers lodged complaints to the highest levels of our government. DSAA was caught as a middle man in trying to justify the requests for expedited payments. The Army, upon which DSAA relied for detailed justification, was caught in a dilemma of developing procedures to accurately forecast progress payments which are largely beyond its control. Progress payments are directed by an outside agency, the DLA Contract Administration, which approve them on the basis of actual expenditures made by the contractor rather than upon a predetermined schedule. The result was a shifting of differences between OSD and DA from policy matters (i.e., expedited sale from stocks) to program administration matters. Another example is that the tremendous increase in stock fund transactions caused the Army to convert from a reimbursement to an inter-fund (direct cite) billing system to speed up reimbursement to the stock fund in order to keep it solvent. While this action was justified, the turbulence to the administration of the program can be appreciated by the fact that USAILCOM-NCAD was passing approximately 3/4 million requisitions per year to 34 supplying activities. At best, it was difficult to get all the performing commands and agencies in step to a changed tune.

(2) Problems Stemming from an Institutionalized MAP Mentality. As the TASAPS 77 study group reviewed the nearly innumerable audit reports of various management aspects of the security assistance program, it became apparent that the phenomenal growth of the program had caused the surfacing of a series of problems, primarily in the accessorial area which had their roots in what can best be described as "Institutionalized MAP Mentality". This MAP mentality had developed as the security assistance program and its management evolved. During the initial period of the program, it was nearly all Grant Aid. Since it involved appropriated monies, it was prudent from a management standpoint not to establish elaborate additional and special accounting procedures, with attendant overhead costs, in order to make precise entries into the various accounts. For example, transportation costs were averaged and applicable percentages were applied, as required, by DOD Directives. When FMS was started, the program was not large enough to establish elaborate bookkeeping systems. The costs would have exceeded their value. For this reason, MAP procedures were modified only to the minimum extent necessary to accommodate FMS. The MAP mentality prevailed. As the FMS program grew in size to equate to the Army's own logistics



program, the systems and procedures proved inadequate. The point is not to delve into the deficiencies, since the study group found that there are as many actions being taken to develop administrative procedures to correct the shortcomings as there are audit reports which point them out. This point explains the slowing of reaction time in processing FMS requirements while the vast logistical infrastructure struggled to comply with the onslaught of administrative changes. This also explains the consternation felt and expressed by the foreign customers over changes to procedures to which they had become accustomed over a 25 year period. DSAA again was caught in the middle and perceived non-responsiveness on the part of the Army. The end result was again a shifting of differences between OSD and DA from policy matters to program administrative matters.

(3) Increased Congressional Involvement. The political sensitivity of selling arms to Middle East countries, combined with the financial and procedural shortcomings just explained, caused Congress to enact legislation which resulted in significant changes to program administration. Primarily, there were three provisions of the "International Security Assistance on Arms Export Control Act of 1976" which caused these changes. First, Congress widened the scope of its review of proposed sales. Aside from the obvious slowing of sales case consummation which is inherent in such reviews, are the administrative difficulties which it imposes. For example, the added time required for the Congressional reviews caused the estimation of prices to be more difficult. All too often the prices quoted were overtaken by inflation during the extra time required for the Congressional review. The foreign nations become even more sensitive to this issue because of the manner in which FMS sales are conducted. Foreign nations are obligated to pay actual costs incurred and not just the estimated costs quoted on the Letter of Offer. Thus, a dichotomy developed with DSAA again being caught in the center. On the one hand, as customer countries complained of cost increases, DSAA became increasingly more critical of the Army for its price estimations which, in turn, caused the Army to develop more elaborate, cautious and time consuming pricing procedures. On the other hand, DSAA correctly perceived that the faster Letters of Offer could be prepared, accepted and acted upon, the better would be the chances that estimated prices would hold firm. The second provision of the 1976 Security Assistance bill which caused problems in program administration was amendment of Section 21 of the FMS Act of 1961 to direct that the sale of materiel from stocks, which were to be replaced, would be sold at the estimated cost of replacement. This imposed a myriad of administrative problems, particularly in the stock fund area. For example, how

can replacement cost for a repair part not procured in many years be estimated? It is understandable that reaction time was slowed while procedures and systems were developed or revised to cope with the problems and that initially there would be differing interpretations and procedures used among the 34 supplying activities. Both conditions provoked complaints by the foreign customers and again placed DSAA at variance with the Army over administrative matters. The third provision of 1976 Security Assistance bill which did not cause, but gave impetus to problems in administration of the program, was an amalgamation of amendments of Sections 21 and 22 of the FMS Act of 1961. Together, these amendments required payment in advance of actual expenditures and precluded the further use of 120-day payment (after delivery) provisions unless a Presidential determination was made. The administrative problems caused by the projection of progress payments was discussed earlier in this Section. The change in the law is cited here only to convey that program administrative systems and procedures were further tightened to ensure that sales, even small ones, were not made in violation of the law. Further slowing of response time resulted.

g. How do these changes in the security assistance program since the CASA study bear upon an examination of the validity of the CASA management concept? The changes indicate that OSD's criticism of the management of its security assistance program has shifted from lack of responsiveness in policy matters to lack of timeliness in administration of the program. This was partially confirmed by examining the latest criticism, a 14 June 1977 memorandum from the ASD(ISA), in light of the changes which have taken place. The memorandum, suggested as a partial remedy, that the Army's security assistance efforts be centralized under one office vice the present split between the CASA and DCSLOG-IL. This OSD perception of lack of timeliness was further confirmed in an interview with the Director of DSAA during which he was asked about the 14 June memorandum. The DSAA Director indicated that OSD judged the Army's performance in the security assistance area on the basis of responsiveness and that responsiveness was, in turn, made up of three parts. The three parts are accuracy, completeness and timeliness. He stated that the Army was doing well under the first two criteria but was not processing the Letters of Offer in a timely manner, particularly those which contained no mission-impacting action. At this point, it seemed that an obvious, though perhaps partial, solution would be to disestablish at least the CASA layer within the DA Staff. Emphasis was given to this conclusion by the VCSA guidance given TASAPS 77 during the second IPR that any proposed security assistance organization must be responsive to DSAA. The

solution was given further emphasis when it was established that an average of six extra days was required to process a letter of offer through the DA staff. The solution, however, proved too simplistic for several reasons. First, the CASA was established, in part, to expedite those actions which do have mission-impacting (readiness) implications. The study group determined that there had been no significant withdrawals of materiel from the inventory in the past 18 months. In fact, only one action resulted in the diversion of a small number of tanks and personnel carriers. However, the possibility does exist that the number of such mission-impacting actions could, once again, become significant in the future. The study group was thus faced with the requirement to ensure that accuracy and completeness (including protection of the Army's interest) was not sacrificed just to increase timeliness. Reduced to its simplest terms, the present security assistance organizational structure, interfaces, systems and procedures had to be examined in detail to see how they could be altered and streamlined to ensure timely response without sacrificing accuracy and completeness while allowing for the expeditious raising of policy issues to the proper level for resolution.

6. Effect of the Establishment of the Security Assistance Accounting Center (SAAC) on the Army Management of its Security Assistance Program.

a. One of the basic issues of the TASAPS 77 study was to determine the true effect of the establishment of the SAAC on the Army's responsibilities for administering its portion of the security assistance program. The issue precipitated widely varying views among the Army's corporate management as to what were the Army's residual responsibilities and as to how the Army should organize itself to meet those responsibilities. In fact, this was one of the issues which caused the formation of TASAPS-77. Because the issue is of such importance to this study, that portion of the 9 September 1976 DEPSECDEF memorandum, which established the SAAC, is quoted below:

"Efficient management of Foreign Military Sales financial transactions requires greater standardization than we have been able to achieve. The strengths of the individual service operated accounting and billing systems need to be integrated into a single system that is more responsive to the requirements of DOD and recipient countries. I have concluded that this can best be accomplished through centralization of FMS billing, cash collection, trust fund



accounting, and administrative fee management. ...The SAAC will be operational by 20 November 1976 and will assume full responsibility for all FMS billing, cash collection, trust fund accounting and administrative fee management no later than 31 January 1977."

b. As mentioned, there were widely varying views as to what effect the establishment of the SAAC had on the Army's security assistance responsibilities. In the one extreme, some members of the Army's corporate management viewed the SAAC establishment as removing the Army from all financial management functions relative to the foreign customers. In the other extreme, some members of the Army's corporate management viewed the SAAC as serving the same purpose as a combined credit card company and banking institution, thus not truly relieving the Army of any managerial responsibilities it had in accounting for expenditures of foreign customers' monies. Naturally this lack of consensus relative to the Army's residual role was followed by lack of agreement as to how the Army should be organized internally to execute and manage the program and to interface with higher authorities and the customer countries. This larger issue was brought to the forefront by the immediate need to determine how billing and reimbursement documentation should flow between the SAAC and the Army. In response to a 7 December 1976 ASA(I&L) memo, a representative of COA briefed the ASA(I&L) and Security Assistance Coordinating Group. This briefing responded to specific questions raised in the 7 December memo. Following the briefing, the Deputy Comptroller of the Army challenged the need for USAILCOM and suggested that DCSLOG perform a study of USAILCOM and determine the specific role USAILCOM should play in security assistance. The ASA(I&L) accepted this recommendation and assigned this requirement to DCSLOG. Because the issue had been broadened in scope, the Acting ASA(I&L) superseded the previous tasker with a 17 January 1977 memorandum requesting the CASA to enlarge the original study in order to develop the optimum Army structure for managing security assistance. In a 2 February 1977 memorandum, the CASA requested the Director of the Army Staff to take the lead in organizing/conducting the study requested by the ASA(I&L). As a result, the TASAPS-77 study group was formally established in March 1977. In a 12 April 1977 memorandum an Acting Comptroller of the Army memorandum requested TASAPS-77 to undertake, as a matter of priority, the problem of how billing and reimbursement documentation should flow between SAAC and the Army. The study group quickly determined that this issue could not be isolated from the broader issue of the Army's overall "de facto" and "de jure" security assistance responsibilities. During the study



of the program, true differences between the security assistance program and the Army's own program were identified. The current procedures and management and control structure were examined in light of the identified differences in the programs to see where the infrastructure might be streamlined and the ability to meet "de facto"/"de jure" responsibilities retained. The study group determined that the Army's responsibilities for program execution and control had not been significantly altered by the establishment of the SAAC. The Army would always have a stewardship responsibility for customer monies because the services, not OSD, are the institutions which actually take actions and obligate the US Government in the processes used to meet foreign requests/requirements. Thus, an Army central data base is needed to meet country and program level management requirements. Decentralization of FMS case management proved infeasible. Accordingly, a central point for FMS case implementation and management is also required. These findings were reported and accepted during the first IPR which was given in response to the Acting COA's request. The study group also reported that all billing documentation should flow through the central data base before being forwarded to SAAC in order to keep the data base current. Implementation of this recommendation was held in abeyance until the tentative findings were verified through further study and the study completed. Further study resulted in confirmation of these broad, tentative findings. The billing issue is covered, in part, in Chapter 14 (Financial) and Chapter 15 (Management Information/Data) of this report. The remaining portions of this chapter provide the detailed results of TASAPS study of the logistical infrastructure as it is used for program management and the feasibility of streamlining it while still maintaining the capability to meet the "de facto"/"de jure" security assistance responsibilities and the ability to be responsive to higher authorities and customer countries.

#### 7. Scope and Nature of Present Army FMS Program.

a. The scope of the FMS program may be represented in many ways. The dollar value of the total program and undelivered balance varies among data sources. There are differences among USAILCOM reports and between DSAA and USAILCOM reports. One of the principal reasons for data variance is the reporting cycle, i.e., all the reports may not be run the same date or may not represent the same input data. The data in this section is based on the USAILCOM 128 and 1395 reports.

b. As of 30 June 1977, there were 6,587 open cases with an undelivered value of \$18.4 billion:

\$ 6.9 billion - Corps of Engineers

11.3 billion - DARCOM

.2 billion - Other

c. During FY 76, 3,012 LOAs were prepared and 2,354 were accepted by the 86 customer countries and organizations. For FY 77 (as of 31 May 77), 1,917 were prepared and 1,188 were accepted.

d. The value of all accepted FMS cases between FY 74 and the end of the first quarter FY77 totaled \$13.7 billion. This is more than half of the approximate \$25 billion in sales since the FMS program began in FY 50. The peak sales year was FY 75, which totaled \$3.9 billion (not including Corps of Engineer cases). During this period, FY 74-77, approximately 42% of the dollar value of Army procurements were for FMS.

e. The nature of the present program may best be represented by looking at the customer countries and the items and services which constitute the undelivered program. The program is enormous in terms of the variety of support provided and the requirements placed on the entire Army infrastructure. Each customer is unique and different. They differ in sophistication, technological development and political influence. Some need more special attention than others. Following is a representation of the undelivered program, less construction, by geographical area or country group according to the degree of assistance required and program value:

<u>Area/Country</u>	<u>Total Program</u> (Billions)	<u>Undelivered</u> (Billions)
NATO, Europe, Australia		
Israel, Japan & New Zealand	\$ 6.9	\$ 3.7
Korea and Taipei	\$ 0.8	\$ 0.5
Iran, Saudi Arabia		
Jordan & Morocco	\$ 7.6	\$ 6.5
Africa, South America, other		
Middle East & other Far East		
Countries	\$ 1.1	\$ 0.8
	<u>\$16.4</u>	<u>\$11.5</u>

Figure 6-5

(1) The first group, NATO, etc., includes the customers with the greatest sophistication and technological development. Most of the current program is for ammunition and repair parts. These countries require very little assistance. They are capable of determining their requirements, placing their orders, accepting delivery of items, and managing an overall logistics support system.

(2) The second group, Korea and Taipei, are generally less developed than the first group and consequently require some special attention and assistance.

(3) The third group, consisting of Iran, Saudi Arabia, Jordan and Morocco, collectively account for about 60% of the undelivered FMS program. These countries are buying large quantities of major items as well as support and various services. Many of the end items currently undelivered are being received and introduced into their respective systems for the first time. Since these countries are still developing, they require considerable assistance in managing their programs including development of logistics support systems. The tremendous effort of US Army personnel in support of these programs is due less to the high dollar value than to all the services being provided. The US Army is required to do many of the planning and operational functions which the more developed countries do for themselves.

(4) The fourth group, Africa, etc., collectively accounts for less than 10% of the total undelivered program. These countries are buying small quantities of major items. For example, only six countries in this group have undelivered items which are listed in the SAMPAP. Much of the program consists of ammunition, repair parts, wheeled vehicles, and small arms. While the level of development of many of these countries is probably no greater than the group 3 countries, only a small amount of technical or management type assistance is being provided.

f. The nature of the undelivered program, less construction, in terms of commodity groups of items and support is as follows:

<u>Commodity</u>	<u>Total Program</u> (Billions)	<u>Undelivered</u> (Billions)
Aircraft	\$ .908	\$ .536
Missiles	2.625	1.902
Ships	.002	.001

<u>Commodity</u>	<u>Total Program</u> (Billions)	<u>Undelivered</u> (Billions)
Combat Vehicles	\$ 2.294	\$ 1.395
Other Vehicles	.546	.287
Weapons	.536	.336
Ammunition	2.180	1.562
Communication	.382	.250
Supplies	1.000	.610
Spares	1.774	1.131
Other Support	<u>4.153</u>	<u>3.490</u>
TOTAL	\$16.400	\$11.500

Figure 6-6

g. The value of the undelivered program attributable to the 40 items listed in the SAMPAP is \$2.04 billion, and there are only 28 customers for these items out of the 86 customer countries and organizations.

h. It appears that new orders for major items have now leveled off and the major effort for the future will be in providing supply support. In this regard the Army POM for the years 1979-1983 projects follow-on support for SAMPAP items as \$2.5 billion in FY 77 and \$2.7 billion in FY 80. For all supportable items including SAMPAP items, follow-on support is projected at \$2.9 billion for FY 77 and 3.2 billion for FY 80.

i. An analysis of the scope and nature of the present program indicates that, for the foreseeable future, the areas of effort requiring the most management attention are the large dollar programs for the group 3 countries and the provision of adequate follow-on support without impact on US Army requirements.

8. Total Package Concept. A major conclusion of the 1975 Army Security Assistance Study was: There must be a "total package" approach to security assistance...When LOAs are forwarded, all support equipment and training necessary for operation of the major items should be offered as a coordinated and fully developed package



...all training, technical assistance and training aids requirements should be developed to assure successful assimilation of the materiel into the foreign inventory to include MTTs, TATs, TAFTs, and QATs... The total package approach should be tailored to the relative sophistication of the customer. It may not be fully accepted due to fiscal constraints, in-country capabilities, or country preferences. However, the approach described can be seen as a means...of avoiding possible customer discontent with the FMS program."

The 1975 study further reported that the Army staff and MACOMS lack formalized guidelines for the total package approach. Subsequently, HQDA Memo 5-9, dated 6 August 1976, assigned the DCSLOG responsibility for, "In coordination with DCSOPS, ensuring that FMS cases are processed with a "total package" approach..." The OSD/DSAA MASM does not address total package, but a September 1976 DSAA memo established a policy for total package implementation although not using the words "total package."

The total package approach has not been formally implemented. ODCSLOG has not provided policy or procedural guidance as required by HQDA Memo 5-9 and the September 1976 DSAA memo. DARCOM has, however, initiated a study by the Logistics Management Command to conduct a study titled, "LOS Study Project No 709 - Total Package Approach to FMS". The objective of the study is to develop procedures for total package implementation.

Although the total package approach has not been formalized, Army has had experience in developing foreign country requests on a package type basis. Examples include the sale of Improved HAWK to Jordan and Kuwait and the Saudi Arabian Army two brigade modernization. Other examples include the Saudi Arabian National Guard (SANG) modernization and the Iran Helicopter Project both of which are under Army project management. Full implementation of a total package approach poses considerable challenges for Army. At the present time, LOAs are developed based on the customer's request as approved according to the requirements for Category A or B countries. Army reacts only to the request unless additional requirements are imposed by DSAA. For example, if 25 self-propelled howitzers are requested, the LOA is prepared for the howitzers plus concurrent spare parts and tool sets. In addition, available CONUS school courses and publications are identified in the LOA and the customer is advised to request such needed support separately.

LOAs for publications, MTTs, training aids, ammunition, and other support are not prepared unless or until requested by the customer. This is usually not a problem for the more sophisticated countries because they know what they need. They are experienced in planning and have established logistics and training support bases into which new or additional items can be integrated. These customers are often fully able to develop their own total packages. The situation with many of the developing countries is different. Depending on the degree of help requested or received from US military elements in-country, LOAs for additional items or support are usually requested piecemeal by the developing countries as they discover the need for additional support. The customer may eventually become frustrated in attempting to integrate the bits and pieces of several individual FMS cases into a package.

Heretofore, total package development has been restricted to large programs such as the initial introduction of complex systems, e.g., I-HAWK into a developing country. In these cases, Army was not able to develop the total package at the outset. After the basic hardware case was prepared, considerable in-country survey effort was required in order to define the total program requirement including organization, training, facilities, communications, power generation equipment, and logistics support. Additional LOAs were required to complete the package and the customer discovered the total program cost could end up double the cost of the basic hardware.

One of the challenges of total package is that each requirement is unique. Except on a very general basis, development cannot be subjected to an SOP type approach. Army policy should establish what types of requests will be developed on a total package basis. Generally, total packaging should be restricted to major weapon systems or end items being introduced for the first time into a developing country. The basic requirement is for integration of operational and maintenance training with the equipment and all necessary support. If an MTT is recommended, the training support needs of the team including publications, training aids, tools, test equipment, special equipment such as firing tables, and repair parts must be established and put on an LOA. Otherwise, the MTT's training capability may be limited. Total package development will usually require extensive discussions with the US DOD element in-country and perhaps the customer. An in-country pre-contract (LOA) survey may also be needed. This responsibility must be assigned to the operating command level. There are far too many details involved to put a total package together within the DA staff. To

make total package work, the Army staff must be prepared to divert support items as may be needed from its own programs. For example, tanks and an MTT may be available for delivery at a certain time, but there may be a problem with ammunition for training, test equipment, tool sets, or training aids. Without a willingness to divert secondary or support items if needed, implementation will be paced by the longest leadtime item in the package. If this is significantly longer than the leadtime of the end item, the customer is likely to object.

DA policy must also address the management aspects of total package development, implementation, and delivery. A total package, e.g., the Saudi Army two brigade modernization, may consist of 50 or more FMS cases. Development and management of the package requires considerable resources. A determination must be made on how total package will be funded. Perhaps the customer should pay for development of the package as well as management. In many cases the customers needing it the most can afford it the least. Probably the biggest problem of total package is the possibility that we will end up assuming project manager type responsibilities without a specific overall agreement with the customer. If the results in terms of military capability do not come up to the customer's expectations, the customer may perceive that we have failed.

In summary, it is not feasible to apply total package to every request. It should be regarded as a principle of doing security assistance business and applied on an exceptional basis according to policy approved by HQDA. DARCOM should be given overall responsibility for package development, including the coordination of training aspects with TRADOC. Management offices should be established as needed with the total costs included on an FMS case. In appropriate cases, an overall agreement specifying the extent of Army's responsibility and the customer's should accompany the package.

## Section II. Direction

9. The purpose of this section is to describe the management techniques used to superimpose foreign customer requirements upon the existing Army infrastructure under existing restraints with the view towards examining the effectiveness and efficiency of existing organizational interfaces.

10. The Management Requirement. As was noted in Section I of this chapter there is no separate International Logistics system. That is, there does not exist a separate procurement organization to buy FMS materiel, there are no IL designated depots, and there



is not a separate transportation system. IL requirements are superimposed on existing systems. The foreign purchaser is a customer of the Army logistical/educational systems. The management requirement is to process the customer's request and get it into and out of the Army systems. In addition, there is a requirement to manage the customer's program on an individual FMS case as well as on a country bases. Another management requirement is to provide management information required by the various levels of management within the Army as well as higher levels.

11. Interrelationships.

a. With regard to Foreign Military Sales (FMS), policy is centralized at the State Department, control is centralized at DSAA, and execution of approved programs and sales is decentralized to the Department of the Army. DSAA views Army's role primarily in terms of logistics with existing logistics systems being used to acquire and provide materiel, support, and services. Satisfying FMS requirements is accomplished using the Letter of Offer and Acceptance (LOA), DD Form 1513 as the basic contractual document between the customer and Army as the representative of the USG. At the DSAA level, the major policy areas of concern are processing FMS requests, developing LOAs, pricing, recovery of non-recurring costs, financial management, and reporting. DSAA interfaces with the State Department, assists State in defending programs to Congress, and responds to pressures applied by the customers and the U.S. DOD elements located in the customer countries. Within HQDA, the ODCSLOG-IL has been responsible for issues raised by DSAA, the customer, the US DOD in country element or the performing command, DARCOM. Traditionally, the Army has been concerned about the impact of FMS requirements on Army readiness, protection of production and training bases, financial management, release of technology and personnel requirements. Within DARCOM, FMS requirements and management of the program are centered in the USAILCOM which is separated into two elements, the Washington Field Office (WFO) and USAILCOM at the New Cumberland Army Depot. The Commander of USAILCOM is also the Director of International Logistics at HQ DARCOM. The role of USAILCOM and its relationship with the major subordinate commands (commodity commands) will be described later in this section.

b. Functionally, the overall organization for management of the FMS program may be viewed as a stovepipe with the details of day to day operations being sustained by direct interface between the action officers at each level: State - OSD/DSAA - HQDA - USAILCOM



and the commodity command. This stovepipe arrangement allows for entry into the system at several points within each management layer. Responsibility is fragmented within the Army and no one individual or agency is clearly responsible. The customer understands, probably better than anyone, the fragmentation of responsibilities among the USG "players" and the customer has learned to use this fragmented system to its own advantage. Each customer feels special and entitled to preferential treatment. He can and does not hesitate in bringing complaints or requests to the highest levels of the USG. The US DOD or American Embassy representatives in the customer countries play a significant role in the FMS process. It is these people who are in a direct relationship with the customer on a daily basis. They represent the USG to the customer. In fact, they become an extension of the customer. These personnel may seek concessions on availability or price or services as a moral issue and are often unaware of legal and policy restrictions or impact on Army readiness.

12. The Customer Request. In the DSAA MASM, customers are classified as Category A or Category B for major end items and maintenance support items. Category A countries may submit requests directly to Army while Category B countries must submit requests to the State Department. Notwithstanding these procedures, the customer may submit his request at many different levels from the President down to USAILCOM. Figure 6-7 illustrates principal communication channels with the customers. Approximately 60% of the customer countries do business through their embassies in Washington, D.C. Regardless of where the request is received it must be re-routed and processed according to the MASM requirements before action can be initiated. The customer may make several kinds of requests. The simplest request to deal with is a request for P&A or for an LOA for a specified quantity of Army standard major end items. These type requests eventually find their way to the appropriate MSC where price and availability (P&A) are developed and LOAs prepared according to established procedures. The greatest involvement of management at the several layers is in responding to other customer requirements or MAAG queries. Examples of these include requests for expedited delivery, explanations for delivery slippages and price increases, mistakes on implemented cases, requests for people services, or for large programs requiring project management.

13. How requests from Category B countries are handled. The approval process for materiel or repair parts support LOAs is simple but at times may be time consuming due to the political considerations. In general, State decides if the sale is authorized and DSAA passes the authorization to HQDA (ODCSLOG-IL). Staff review at HQDA is minimal for standard items, and the authorization is usually routinely

	Foreign Embassy in US	US Embassy DAO	ODC	MAAG/Mission	Purchasing Mission in US & Other	Total *
LOA Request for End Items Received Fm:	50	18	8	24	15	115
Approved LAO for End Items Sent To:	52	18	7	23	14	114
LOA Request For Maint Spt Items Rec Fm:	49	18	8	25	14	114
Approved LAO for Maint Spt Items Sent To:	50	18	7	23	13	111
LAO Request for Pubs Received Fm & Sent To:	58	18	8	26	13	123

\* Difference between 86 customers and total indicated represents number of customers using multiple channels.

Figure 6-7. Principal communication channels which 86 customers used to conduct security assistance business.

forwarded to DARCOM. The CASA rarely gets involved. However, if the authorization includes a requirement for expedited delivery, non-standard items, or services, the authorization may undergo extensive staffing before the LOA authorization is sent to DARCOM. CASA may get involved in these type actions to assure that all staff interests are considered. There are four basic types of FMS cases. These are cases for major items or systems, repair parts, personnel services or management, and co-production.

14. LOA Development Process for Major Items. Upon receipt of an approved customer request for an LOA from DSAA, the ODCSLOG-IL forwards the authorization for LOA preparation to the USAILCOM WFO. The WFO determines the responsible MSC's, assigns the FMS case designators, establishes the due dates for LOA completion, and enters the LOA's into the DSAA LOR sub-system. Before passing the requirement to an MSC, the WFO will, as required, coordinate directly with the customer or the US DOD representatives in the customer country to further define the requirement. For routine requests for Army standard items this may be as simple as verifying paint color, configuration of communications equipment and armament, and any special requirements. While the definition task may be simple, completing the definition may require considerable time especially when dealing with a request from one of the developing countries. Frequently the customer will have trouble identifying exactly what he wants. More complicated requests may involve the development of a total package if any support or technical or training assistance is needed or requested to go along with the hardware. The WFO passes the LOA request to the responsible MSC. Preparation of the LOA has been decentralized to the MSC performing command level in order to clearly establish responsibility for the development of price and availability. Each MSC has an International Logistics Directorate which functions as the project manager or super-coordinator for IL requirements. The IL Directorate is a part of the MSC commander's staff and is not a part of or subordinate to the Commander of USAILCOM. The IL Directorate performs all IL peculiar functions including the actual preparation and MSC level staffing of the LOA. The determination of price and availability is made by item or project managers in coordination with procurement and comptroller personnel. These are the same people who are responsible for item management and procurement of similar items for US Army requirements. The interface with the manufacturer is by the item project manager or procurement directorate personnel. In developing a LOA, much of the MSC staff becomes involved. The IL Directorate coordinates not only within the staff, but with other MSCs to obtain P&A for items for which they are responsible,

e.g., radios for tanks. The Concurrent Space Parts (CSP) listing to support the CSP line on an LOA is developed in coordination with Maintenance Directorate personnel and forwarded to USAILCOM NCAD which, in turn, submits it to the customer for review after the LOA has been provided. Each MSC has developed procedures for generating the data and information needed for LOA preparation. The most significant problem, at the present time, is the ever-changing rules relative to the LOA preparation which are imposed primarily by DSAA, but passed to the field by ODCSLOG-IL. The time lag in implementing changes and the general lack of uniformity in completed LOAs among the MSCs has been noted by DSAA during their review of completed LOAs. DSAA would prefer that all Army LOAs be prepared centrally by one office in the Washington, D.C. area. Although this would be possible, i.e., the LOA can be typed at any designated place from data and information furnished by the MSC, it is best to continue with the present practice of decentralized responsibility for determining price and availability estimates. Responsibility for LOA content is, therefore, fixed at the MSC. Standardization of LOA preparation can be achieved by application of standard format and content.

15. LOA Development Process for Repair Parts. The role of the WFO is the same as for major item cases. While most countries are designated category B for major items and therefore require State Department approval of FMS requests, many category B countries, for major items, are designated category A for repair parts support. These countries are allowed to submit their repair parts requests direct to USAILCOM for LOA preparation. There are three types of repair parts cases: defined line, Blanket Open End (BOE) and the Supply Support Arrangement (SSA). The defined line LOA lists the items and quantities requested. This type case is typically used for the purchase of secondary and other items required for the establishment of a rebuild program, or it may be used to augment the supply of CSP type items pending development of Supply Support Arrangement (SSA). The BOE is a dollar line case against which the customer may requisition repair parts as needed. This type case does not specify items as quantities and it is usually for a fixed period of time. Under an SSA the customer buys into the US Army logistics system. The SSA is divided into two categories: foreign military sales orders one (FMSO 1) and two (FMSO 2). The FMSO 1 funding augments the US supply pipeline to satisfy foreign customer demands without taxing US assets. FMSO 1 stocks are then replenished based on actual demands generated by FMSO 2 orders. All repair parts LOAs are prepared by USAILCOM NCAD.

16. Ability to Satisfy Future US and Security Assistance Repair Part Requirements.



a. In early 1976 the ASACG questioned the capability of the US industrial base to satisfy future US and security assistance repair part requirements. There was concern that US industrial base inadequacies could not only impact on security assistance programs but, more importantly, on US Army readiness. The CASA requested a study and the ODCSLOG-IL assumed study sponsorship in May 1976. The Engineer Studies Group performed the study and submitted its report in April 1977. The study report contained three major conclusions. First, US industrial capability is adequate. Second, security assistance repair part program management must be improved to stop current security assistance caused problems in repair part support to US forces, and these improvements can be made with existing resources. Third, there are in existence unexploited methods for looking ahead at hardware system support-ability.

b. In order to avoid conflict with US force requirements, the COA in June 1977 announced a policy which requires inventory managers to establish internal controls governing foreign customer requisitions. Basically, SSA requisitions will not be processed until the logistics system has had sufficient lead time (normally 12 months) to procure required additional stock levels. This will be 12 months after the FMSO-I Part A cash is received. If the customer submits requisitions before 12 months, the requisitions will be processed using BOE procedures (issue only if release will not place the stock level below the reorder point).

c. Follow-on support is estimated to exceed \$3 billion by FY 80. Providing adequate support to both US forces and foreign customers could become one of the greatest security assistance program challenges for the future. DARCOM should follow-up on the Engineer Studies Group report and take actions required to assure adequate future support. In addition, potential future requirements for rebuild programs should be studied and policy and plans formulated as required.

17. LOA Development Process for Services. Selling people services under FMS is probably the most complex of all FMS requirements. The DD Form 1513, Letter of Offer and Acceptance (LOA), including the terms and conditions printed on the reverse thereof, is designed primarily for selling and delivery of materiel items, and it is not easily adaptable for selling people services. There is no standard DSAA or DA procedure or policy which governs the preparation of services LOA. Each requirement is unique and experience has shown that maximum management flexibility is needed in responding to each requirement. Definition of the task and the identification,

selection and preparation of team members are usually a greater challenge than writing the LOA. Typically, the services LOA is either for a Technical Assistance Team or for project management or contract administration services. The greatest demand for services comes from the developing countries in the Middle East, particularly Iran and Saudi Arabia. The mission or task of the services team is often developed by the in-country US DOD element and consists of services or assistance needed by the customer which are beyond the capability of the US in-country element to provide. There is no single action agency within the Army, such as SATMO, which handles MTT requirements for TRADOC, to respond to services requests and develop information needed for the LOA. In the past, most of these type actions have been handled by ODCSLOG-IL. Usually, DSAA approves the customer request and tasks Army to prepare an LOA. If the requirement is for technical assistance and the mission of the TAT can be associated with the mission of a MACOM, the MACOM may be tasked to take on the job, further define the mission, and provide the required people from its own resources. In other cases, ODCSLOG-IL has obtained MILPERCEN assistance in identifying qualified personnel and, following Army staff coordination, has tasked the parent MACOMs to provide the people for TDY. In these cases, ODCSLOG-IL has further defined the mission if required, developed the information for the LOA, and prepared and deployed the team. It has been common, but not standard, practice to prepare Terms of Reference (TOR) for services LOAs. The purpose of the TOR is to set forth the mission of the team; the duration; rights and privileges of the team in the customer country; in-country personnel support arrangements such as mess, housing, transportation, office space and equipment, and translators; command and control of the team; effectiveness report designations; and requirements for periodic and or final reports including prior approval required by DA or DSAA before submission to the customer country. The TOR is usually developed by ODCSLOG-IL, while the LOA is prepared by the USAILCOM WFO regardless of who has responsibility for the team. The CASA has rarely been involved in these kind of actions. Appropriate DA staff elements have been involved in the coordination depending on functional expertise needed. There are several other types of services LOAs. For large programs such as the Saudi Arabian National Guard (SANG), US Army project managers have been established. Project management is but one of many options available to Army if required to get the job done. As with the TAT requirements, ODCSLOG-IL has taken the lead in the DA staff for these large programs. Development of a project managed package may require several months and completion may take several years. Following are examples of the various management techniques which are being used:

a. Project Management.

(1) The Saudi Arabian National Guard (SANG) modernization project is an example of project managed FMS program. The project was originally requested by the Saudi Arabian Government through diplomatic channels. OSD/DSAA and HQDA participated in the preparation of the Memorandum of Understanding (MOU) which was signed in 1973. The MOU is the basic agreement between two governments. The scope of the project is the modernization of four SANG infantry battalions and one artillery battalion. The project involves the sale of equipment, training of the modernized battalions, and construction of facilities. The training is being accomplished by contract between the US Army and the Vinnell Corporation. The project manager and his staff of approximately 70 military and civilian personnel manage the project and supervise the contractor. Project management under HQ DARCOM was selected by the DA staff because of the program complexity, high dollar value (estimated at \$487 million for the DARCOM portion) and the length of the project which is scheduled for completion in 1980.

(2) The Iran Helicopter Program is another example of a large FMS program which has been established under project management. This program began as a services contract on a direct commercial basis between the Bell Company and the Government of Iran (GOI) in 1973. Both parties became dissatisfied with the arrangement and the GOI requested that the USG convert the services contracts to FMS. This was done in 1974. The services part of the program includes US Army contracts with the Bell Company for training pilots and mechanics and for setting up a depot logistics complex, including training of logistics personnel. The program also includes the sale of over 500 helicopters under FMS. The value of the current program scheduled for completion in April 1978 is approximately \$1 billion. A Letter of Offer and Acceptance for \$559 million to extend the program to 1981 is pending Congressional approval. Per DA approval, DARCOM established a project managers office under ADVSCOM. The management office consists of 80 people, about half of which are located in Iran. The project manager is the administrative contracting officer who is responsible for the performance of the Bell Company on the two contracts for services.

b. Contract Administration.

The Saudi Ordnance Corps Program (SOCP) originated in 1966 following an agreement in the form of a Memorandum of Understanding (MOU) between OSD and the Saudi government. The task was to modernize the wheeled vehicle fleet and establish a logistical support system. HQDA tasked the Corps of Engineers with program responsibility

because of its experience in Saudi Arabia and its capability in contract management. Since this FMS program began, the Corps of Engineers has had a personnel services type contract with two different commercial companies. Contractor personnel supplement the Saudi Ordnance Corps work force and have a training responsibility as well as performing operational and management support duties for the Saudi Ordnance Corps. The principal role of the Corps of Engineers is in the administration of the contract. A completion date for the SOCP has not been agreed upon.

c. Product Manager. The Saudi Arabian Army uniform and field equipment project is a \$200 million project consisting of the design and procurement of a complete ensemble of distinctive uniforms and field equipment for the Saudi Army. The request for Letters of Offer and acceptance was made to OSD/DSAA in 1974. Army was directed to proceed with the project under FMS procedures as an exception to the commercial availability policy. HQDA tasked DARCOM with overall management responsibility. DARCOM established a product manager at the Natick Development Center. Management of this project has required a direct interface by the product manager with DLA which has procurement responsibility, USAILCOM WFO and NCAD, and the customer. Delivery of last item is scheduled for late 1978.

d. Commodity Command Management. The Korea tank upgrade program is a complex FMS program consisting of approximately 40 FMS cases. It began as a result of the Republic of Korea (ROK) government's desire to replace their M47 tanks which were no longer supportable. Following efforts to undertake a program to produce a new tank of its own, assistance of the USG was requested. DA proposed to offer old M48A1 tanks (421 each) for rebuild in Korea. A Letter of Offer was developed, approved by Congress and accepted by the ROK government. Army is responsible for delivering the M48A1 tanks, technical assistance as required and some technical data packages for production type equipment. Management at the TARCOM level is provided by an office consisting of 5 TARCOM personnel funded by an FMS case. The US MAAG in-country has no management responsibility, but does provide planning assistance. The ROK government is responsible for the actual rebuild/conversion program in Korea. The dollar value of this FMS program is approximately \$160 million.

e. Survey Teams. Survey teams vary in size, duration, purpose, and method of control. An example of a team constituted for a broad mission is the Integrated Logistics and Maintenance System Team for the Saudi Arabian National Guard (SANG). The mission of this 17-person team organized by and under HQDA control was to develop a proposal for a complete integrated logistics and



maintenance support system for the entire SANG organization. The team spent 90 days in country during early 1976 in developing its proposal. The need for the survey was identified by the US Army Project Manager for the SANG Modernization. His observation in August 1975 was that our modernization program could be successful, but could result in failure later on because of the SANG's inability to logistically support itself. The PM requested and received permission to discuss the proposed survey effort with the Saudi Government. Subsequently, the Saudi Government requested USG assistance for the survey. The team's report was staffed with OSD/DSAA and authorized for release to the Saudis. The cost of implementation was estimated at \$1.5 billion. Early in 1977, the Saudis requested a scaled down version of our original proposal. To the extent possible, the members of the original survey team were assembled to develop a modified proposal as requested. The modified proposal has been presented to the Saudis and a request for implementation under FMS is pending. If requested and approved by the USG, the program would be implemented by commercial contract and would extend well past 1980.

A current example of a different type of survey team effort is the Aviation Safety Survey Team for Iran. The Government of Iran requested the USG provide a team to evaluate the safety practices and flight training and procedures incident to the Bell Company provided training under US Army contract. The request stemmed from the high accident rate. HQDA constituted the survey team consisting of seven personnel under the supervision of the HQDA Inspector General. The final report and recommendations will be presented to the government of Iran following appropriate review and staffing.

f. Technical Assistance Teams. An example of a Technical Assistance Team provided under FMS is the Port Assistance Team for Saudi Arabia. This team was offered by OSD in early 1975 to the Saudi Arabian Government to assist them in improving the management and functioning of the two Saudi seaports. Unlike many technical assistance teams, this team was a working team oriented toward making quick fixes in operational procedures as well as longer term recommendations. The original three man team served on TDY for seven months and was replaced by another team which served almost six months. Both teams had frequent contact with high Saudi Government officials, and the team's efforts were subjected to considerable high level interest within the USG. The teams were constituted by ODCSLOG-IL and worked under the operational control of the Chief, US Military Training Mission (USMTM) in Saudi Arabia. Numerous

recommendations of the teams were accepted and implemented by the Saudi Government and the tonnages moved through the seaports significantly increased.

18. Management Improvements for Services LOAs. From the preceding examples it is clear that FMS cases for services can be quite complex. Although maximum flexibility is needed in selecting a management approach, some standard procedures for LOA development and team selection and preparation would be useful. There are too many details involved in carrying out these type actions to effectively administer programs at the Army staff level. With regard to LOA preparation, a unique DD Form for selling services should be proposed to DSAA for approval. In the past, the TOR has not always been referenced in the LOA; therefore, it has not actually been an official part of the FMS agreement. To the extent possible, the basic contents of TOR should be established as policy and incorporated into the LOA by direct reference. Procedures should also be developed to assure that the full salary, TDY, and other authorized costs are collected and distributed to the proper accounts. Since TRADOC has an existing capability in the SATMO to handle services requests (MTTs), TRADOC should be responsible for TATs and TAFTs as well. Requirements for project and other special management should be developed by DARCOM in coordination with other MACOMS or agencies as appropriate. DA staff involvement should be restricted to policy matters only.

19. LOA Review and Approval Process. The requirement for review and approval of LOAs according to specified criteria is included in the MASM and AR 795-204. Figure 6-8 illustrates the review criteria and the level of review. The criteria for review applies to both Category A and Category B countries. Generally, DSAA reviews all LOAs which exceed \$5 million for end items and all LOAs which exceed \$1 million for certain Middle East countries. Figure 6-9 is a stratification of open cases by type, case and dollar value. Over 80% of all cases have a value of less than \$1 million. This would indicate that only a very small percentage of cases are now being reviewed at the DSAA or higher level. Of all the facets of the Army FMS process, DSAA has been most critical of the length of time required to prepare LOAs and get them to DSAA for review and approval. Currently, any LOA requiring review at that level must pass through two layers after preparation and signature by the MSC. These layers are the USAILCOM WFO and ODCSLOG-IL of the Army staff. Early in its review of the security assistance program, TASAPS 77 concluded that the Army staff should divorce itself from operational and program administration activities

Reviewed By:

Criteria		Authority	DA	OSD	State	Congress
1 All LOAs for:						
a.	\$ 25m or more for any defense articles or services	MASM/ AECA, 1976	X	X	X	X
b.	\$ 7m or more for major defense equipment	MASM/ AECA, 1976	X	X	X	X
c.	\$ 5m or more for end items	MASM	X	X		
d.	Major weapons systems	MASM	X	X		
e.	Items containing a non-recurring surcharge	MASM	X	X		
f.	Sale of TDPs (foreign production capability)	MASM	X	X		
g.	Agents fees (included)	MASM	X	X		
h.	Non-standard items	MASM	X	X		
i.	Items procured off-shore	AR 795-204	X			
j.	Chemical warfare/biological research items	AR 795-204	X			

Figure 6-8. Current LOA review requirements.

		Reviewed By:			
Criteria	Authority	DA	OSD	State	Congress
k. Human blood/blood derivations	AR 795-204	X			
l. Access to autodid/autovon	AR 795-204	X			
m. \$100,000 or more for MDP items	AR 795-204	X			
2 All LOAs for specified countries:					
a. Iran	MASM	X	X		
b. African countries	MASM	X	X		
c. \$ 1m or more for Bahrain, Israel, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, WAE, and YAR	MASM	X	X	X	
d. \$25,000 or more for Latin American countries	AR 795-204	X			

Figure 6-8 (cont) Current LOA review requirements.



Criteria	Reviewed By:			
	Authority	DA	OSD	State Congress
e. For Israel:	DALO-ILE ltr, dtd 19 Nov 76			
(1) Requests without written or stamped DSAA approval in DARCOM files		X		
(2) \$100,000 or more for repair parts		X		
(3) Price increases of 10% or more and/or \$1m or more		X	X	

Figure 6-8 (cont) Current LOA review requirements.

TOTAL CASE VALUE				
Type Case	\$ 25 m +	\$ 7 m - 25 m	\$ 1 m - 7 m	Under \$1m
# Cases w/MDE (Less Ammo)	50	84	120	166
# Cases w/Ammo only	13	23	90	476
# Cases w/other End Items	20	37	182	1564
# BOE Cases	6	12	108	478
# SSA Cases		18	80	100
# Tng Cases	2	3	24	340
# Mgt/Services Cases	5	6	34	364
# Pubs Cases			1	343
# Med Cases			5	84
Other Cases	17	17	93	1622
Totals	113	200	737	5537
Total Cases				6587
% of Total Cases 6587	1.7%	3.0%	11.3%	84.0%

Figure 6-9. Stratification of implemented and open cases by type, value and as a percentage of the total - All customer countries and organizations.

and devote its efforts instead to policy matters. It was also concluded that review of LOAs usually does not involve policy, and that even from a format and content standpoint, the Army staff review seldom results in any significant value added to the completed LOA. LOAs now coming to the Army staff for approval are coordinated by ODCSLOG-IL usually with Materiel Management in ODCSLOG for items being offered from stock and with ODCSRDA for items offered from procurement. In addition, the COA coordinates on LOAs which require a financial analysis (\$5 million or more), and those which ODCSLOG-IL feel contain, or have a potential for, financial matters, and/or which involve policy or exceptions to policy. In order to streamline the review process, the USAILCOM WFO should interface directly with DSAA. The Army staff should not review LOAs. Its proper role is to get involved only in those actions which involve policy or exception to policy.

20. Army International Co-Production Projects.

a. Co-production is a program sponsored by the US Government through diplomatic or Ministry of Defense to DOD agreements, either directly through the FMS program or by licensing arrangements with specifically designated commercial firms as approved by the respective governments. These agreements enable a friendly foreign government or international organization to acquire the expertise or authorization to manufacture, assemble, repair, maintain and operate, in whole or in part, a specific weapon, communications or support system or an individual military item. Co-production projects may be initiated by DSAA, or with prior approval of DSAA, by DA, MAAGS/ODCs and in some cases by authorized representatives of foreign governments or international organizations. Co-production may be limited to the assembly of a few end items with a small input of parts produced in-country or it may extend to a major manufacturing effort requiring the buildup of capital industries. The know-how furnished by the US may include research, development production data and/or manufacturing machinery or tools, raw or finished material, components or major subassemblies, managerial skills, procurement assistance or quality control procedures. Third country sales limitations and licensing agreements are also included as required.

b. The major objectives to be attained through co-production projects are to:

(1) Enable eligible countries to improve military readiness through expansion of their technical and military support capability.

(2) Promote US - Allied standardization of military materiel and equipment which, in turn, would generate the establishment of uniform logistics support, procedures and expanded multi-national operational capabilities. Policies, responsibilities, and procedures relating to international co-production projects and agreements are delineated in DOD Directive 2000.9 and AR 795-6.

c. The International Logistics Status Report, Co-Production Projects (RCS-DD-I&L(SA) 834) is published semi-annually by DARCOM for the purpose of providing relevant background and status information on the Army co-production program. Currently, there are 19 active projects and 4 projects which are under consideration. Twelve foreign countries are involved. Active projects include agreements applicable to the M113 APC, M109 Howitzer, Hawk and the UH 1-H Helicopter. The active projects are covered by agreements signed between 1963 and 1974. Most current agreements date from the mid-1960's. A co-production agreement may or may not involve a DD Form 1513, and a Memorandum of Understanding is usually the base document. The value of active projects is \$2.1 billion, with an estimated expenditure in the United States of \$1.2 billion. Most existing agreements were signed by OSD. DSAA normally takes the lead in negotiating new agreements. Army may assist as required. The ODCSLOG-IL has Army staff responsibility for co-production projects. DARCOM or other appropriate commands are designated to execute the projects.

### Section III. Current Procedures

21. Purpose. The purpose of this section is to describe procedures used subsequent to case implementation with a view toward determining feasibility of decentralizing case management.

22. During the first IPR presented by TASAPS -77 to the ASACG on 11 May 1977 there was agreement on the following:

a. That a centralized data base should be maintained within the Army to permit country-level and worldwide-level management of the Security Assistance Program.

b. That foreign requirements should be met using the same Army infrastructure and procedures which are used to meet requirements of the U.S. Army to the maximum extent possible; and that any deviations should be justified on the basis of differences between the FMS/Grant aid and U.S. Army programs.

23. The first IPR resulted in a lack of agreement that FMS case management should continue to be centralized. The lack of agreement was prompted by COA's concerns:



a. That the performing commands have financial accountability for actions taken to provide materiel and service to both U.S. and FMS customers.

b. That assignment of FMS case management responsibilities to any other command or agency would require deviation from Army's financial management system.

24. As a result of the first IPR, the study group was charged with examining the feasibility of decentralizing FMS case management down to the performing commands, and for determining the differences between the processes. Several of the commodity commands were visited to gain a firsthand understanding of how FMS/Grant Aid requirements are met at the performing command level utilizing Army systems and procedures. Based on these visits the study group validated one of its early conclusions, i.e., that security assistance actions are of such magnitude and are so intertwined with and reliant upon the Army's own infrastructure and systems that devising a revolutionary way of meeting security assistance requirements at the performing command level would not be feasible. It would not be feasible for several reasons. As stated above, there was agreement that foreign requirements should be met using the existing Army infrastructure and procedures. This accepted premise effectively rules out any significant change at the performing command level. The alternative would be to build, from the ground up, a dedicated logistics system to handle FMS/Grant Aid requirements in isolation from the U.S. Army requirements. To attempt such drastic change would be disruptive to both the Army and the foreign customers, and would be prohibitive in terms of personnel requirements. From a procurement and follow-on support standpoint, foreign requirements would be in competition with Army requirements.

25. Feasibility of Decentralizing FMS Case Management.

a. Case Management. Within DARCOM, all the commodity commands as well as the USAILCOM WFO and NCAD prepare LOAs. But after implementation, who is the case manager? It was learned from discussions with USAILCOM and the commodity commands visited by the study group that case management meant different things to different people. A common perception at the commodity commands is that they are the case managers for their cases. On the other hand, USAILCOM NCAD believes they are the case manager of all cases following implementation. Case management, therefore, requires definition, and a definition is best developed by describing the functions performed by both players, the commodity commands and USAILCOM-NCAD. First, most FMS cases have line items from more than one commodity command. NCAD breaks out the OA and assigns the proper

share of the total to each source of supply. Secondly, NCAD requisitions each line on the case including CSP from the appropriate supply source. Thirdly, NCAD maintains requisition history and records delivery of all items on the case. The view at the commodity commands is that they are not, and don't desire to be, responsible for items on their cases which are the responsibility of other commands or activities. The commodity commands are responsible for properly implementing cases, including validation of price and availability; and ensuring that shipments are made. DD Form 1513-2 price and availability changes are prepared, and cases are closed. ROIDs are responded to if they are referred to the Commodity Command by USAILCOM-NCAD. The study group found that many personnel, including those who worked in security assistance, were not familiar with all the functions performed by USAILCOM-NCAD. The funding activities of NCAD were recognized and believed to be its primary mission. The master data base, the requisitioning, the case, country, and worldwide management, and the customer relationship activities were generally not understood. In summary, based on an analysis of functions performed, NCAD has case management responsibility while the commodity commands are item managers for the items on their own cases and for their items on cases prepared by other commodity commands.

b. Example of centralized case management. Centralized case management involves bringing together the three elements of security assistance management: program control, supply management, and financial management. As stated in paragraph 25a above, there was agreement to perpetuate the centralized data base. The underlying reason for this finding is the inescapable requirement to have an Army focal point of record. Without a central data base, there is no capability for providing roll up data at the case level let alone the country or worldwide program level. Without such a capability, the Army loses control and the customer loses its central interface with the Army infrastructure. To illustrate the need for a central data base, a single FMS case will be used as an example to see centralized case management in its entirety. The case includes:

End item	- Tank
Ancillary equipment	- Radio
Major support equipment	- Machine gun
Concurrent spare parts (CSP)	- For all items

In this example, TARCOM has responsibility for the tank chassis and engine/power train, ARMCOM for the main gun and machine gun, ECOM for the radio, and the concurrent spare parts would be the

responsibility of several support activities. Each of the case lines would have requisitions associated with it. The CSP line alone could number several thousand requisitions. The requisition is the document that establishes the materiel requirement, and it is also the basic means for controlling performance, tracking status, maintaining an audit trail, and defining the financial claim. The requisitions must be prepared, edited, validated, recorded, and routed to the appropriate supply source. Each requisition must be acknowledged by the respective addressee, which sets in motion a series of interacting programmed control procedures. Each requisition is accompanied by a specific amount of obligation authority extracted from sales OA received from the SAAC and apportioned by NCAD to the performing agencies. This is to ensure that the Army performs within, but not beyond, the limits and commitments of the FMS case. When the performing commands or supply sources process their requisitions, they will prepare a materiel release order (MRO) routed to the appropriate storage location. For items in inventory, the depots will, in turn, respond with either a materiel release confirmation or denial which is reported back to NCAD. This activates a suspense control process that is designed to ensure receipt of an associated billing transaction or a back order. If the requisition required procurement action, then an estimated shipping date is furnished instead of the MRO. The estimated shipping date transaction is also subject to similar control for further advice on status. Based on records of these transactions USAILCOM-NCAD, as the program control element, provides status reporting to each customer on a weekly basis. The resulting bills, based on the supply actions, flow directly to Denver, if the performing activity is a DARCOM commodity command, and through NCAD for reformatting in the case of non-DARCOM commands.

c. How de-centralized case management would differ. Using the same FMS case as an example, here is generally the way a de-centralized system would work. It would be DARCOM's responsibility, as the case preparer and major end item manager, to manage the entire case from preparation to closeout, a process which may take up to six years. With the central control point now out of the picture, TARCOM would be required to prepare, edit, validate, record and route all case requisitions, monitor and report status, with input from other supply sources, follow-up on billing and delivery and all the other processes. To accommodate this de-centralized approach would require modifications of the commodity command CCSS system and of CISIL, the security assistance dedicated system. Such a change would be time-consuming, expensive, and disruptive. The functions of the central data base would require re-definition in order to provide essential central management services now provided

at NCAD that cannot be aligned with pure case management of commodity command developed cases. Principal among these services are a total country program and worldwide program roll up capability which are essential for total management overview and for responding to crisis actions such as the Yom Kippur War and the cut off of aid to Turkey. Without a roll up capability for all the 6,000 plus active cases, each commodity command and non-DARCOM supply source would have to be polled anytime country or program information is needed. The time required to complete such a roll up of total program status would not be responsive to higher authority management requirements. The main functions now centrally performed at NCAD and the impact of decentralizing to the commodity commands will be summarized later in this section. Getting back to our example of decentralized case management, as mentioned earlier, the commodity command would be required to take all requisitioning actions. In addition, decentralization would place each commodity command in the position of having to interface with the 86 customers, 98 freight forwarders, 34 suppliers, and 47 storage points. Customer countries would also be forced to deal with each command to gain information and in some cases they might have difficulty determining which command to go to. This is especially true in Blanket Open End and Supply Support type cases. Only about 6% of all cases specify a major end item, while 67% are defined line cases for other than major items, and Blanket Open End cases account for the remaining 27%. This breakout by type case does not lead to conclusion that a major end item manager (commodity command) can assume or be assigned as the Army responsible agency for case management. From another perspective, over 50% of the requisitions (over 700,000 projected for FY77) for the Army security assistance program flow to non-Army activities, mainly DLA. These activities may be reluctant to deal with multiple Army contacts which would be required under a de-centralized operation.

26. Comparison of U.S. Army and FMS/Grant Aid Logistics Procedures.

a. During the visits to the commodity commands one of the aspects the Study Group looked at was whether implementation of FMS cases and Grant Aid programs from a central point (NCAD) enhances the interface and management of actions at the performing command; or whether such a central point complicates these factors. This, of course, is related to the analysis of centralized versus decentralized case management which is discussed above.

b. The study group found that with regard to defined line cases, centralized case management more closely aligns security assistance actions with procurement and financial accounting



procedures used for U.S. Army than would decentralized case management. With the exception of securing installed Government furnished materiel (GFM) through the Program Work Directive (PWD) process, the commodity commands primarily rely on the USAILCOM-NCAD requisitioning system to initiate procurement actions for items associated with an end item, which are the responsibility of other performing commands. For example, the requisition for the radio to be installed in the tank goes from NCAD to ECOM rather than to TARCOM. This system seems to be effective, and it simplifies reimbursements to the proper performing account as cross-ordering and billing/reimbursements between performing commands is minimized under the centralized process. The process just described generally parallels the system used for the U.S. Army. Under the PPBS, actions by HQDA and DARCOM compare with the centralized requisition process for foreign requirements. The commodity commands initiate procurements on a decentralized basis under the PPBS. Ancillary equipment and major support items for putting together a weapons system for the U.S. Army are procured as the result of the de-centralized PPBS and not as a result of a centralized PWD process. In other words, commodity commands generally do not cross order between commodity commands for GFE.

c. With regard to providing of concurrent spare parts, centralized case management more closely aligns FMS with Army procurement and financial accounting processes than would de-centralized case management. CSP for U.S. forces is fielded on a de-centralized basis. The responsible commodity commands/project managers provide various support levels with a listing of repair parts they should stock, and then the commodity command relies on the normal requisition flow from the requisitioner in the field to all the various suppliers.

d. For dollar line cases it was concluded that decentralized case management would be unresponsive to the customers.

e. Financial accounting of logistical actions taken for U.S. forces takes place after the fact at the Finance Center at Indianapolis. The only legal way this could be done for foreign customers would be to structure cases to contain only items which are the responsibility of one performing command. Otherwise, even such a routine requisition edit as whether or not there was an open case to cover the requisition could not be done at the performing command. The proliferation of cases would complicate management for the Army and the customer.

27. Summary of IL-Peculiar Functions now Centrally Performed by USAILCOM and Impact of Decentralizing these Functions to the MSCs.

a. Function. Maintains official DA record of all FMS and grant aid cases in the master IL program record. Impact of Decentralization. Data base would be fragmented and visibility of total program at requisition, case, country and worldwide levels would be lost. Roll up of data for management reviews would be slow and prone to error. Case close out would be difficult.

b. Function. Requisitions for the customer and maintains requisition master file. Impact of Decentralization. Each MSC and other supply activities would be required to requisition on themselves and other MSCs and agencies and provide individual status reports to the customer. Every customer could be required to deal directly with each supply source.

c. Function. Army focal point for the receipt, monitorship and control of all discrepancies (ROIDIS) reported by customers. Impact of Decentralization. The customer would be required to identify source of supply and submit ROIDS to each source. A total picture of ROIDS as a measure of supply performance would be impossible.

d. Function. Army focal point for DLA/GSA operations. Impact of Decentralization. An MSC could be assigned this function or DLA/GSA would have to establish an ICP function.

e. Function. Serves as centralized control and record point for DOD Excess programs MIMEX and MAPEX. Impact of Decentralization. Each MSC would have to make worldwide announcement, process MAP orders or prepare DD Form 1513s and prepare requisitions.

f. Function. Provides central data base services to nonDARCOM commands and agencies. Impact of Decentralization. Record for total Security Assistance Program would not be available in one place. NonDARCOM commands would be required to establish own base to provide input to the DSAA reporting system.

28. Role of USAILCOM-NCAD Relative to Wartime Standard Support System for Foreign Armed Forces. A draft Army regulation covering a wartime standard support system for foreign armed forces assigns USAILCOM NCAD the responsibility to maintain records of requisition transactions and for assuring that requisitions received from the designated Army materiel management center are within authorized funding limitations. Validated requisitions are to be transceived by NCAD through the Defense Automated Address System (DAAS) to the appropriate NICP for action. This is an additional mission for NCAD as the draft AR does not apply to materiel provided to foreign armed forces under any international logistics program

or other agreements completed during peacetime and funded with foreign assistance appropriations.

29. Summary. During the second IPR on 5 July there was agreement on the following findings which relate to centralized versus decentralized case management:

a. A central management control agency is required for the following reasons:

- (1) Provides the most up-to-date customer position and claims.
- (2) Assigns foreign requirements into commodity or agency portions and prepares action documents.
- (3) Distributes sales obligation authority received from SAAC.
- (4) With billing through the focal point, updates data base to ensure the logistical and financial records are compatible.
- (5) Allows bills to be monitored for accuracy.
- (6) Provides case and country roll up on demand with the most current information for response to DA and higher authority.

b. Centralized program management for FMS and Grand Aid parallels U.S. Army procedures, and the differences which exist can best be accommodated by use of a central control agency.

c. It is not feasible to decentralize FMS case and Grant Aid program management down to the performing commands.

d. Devising a revolutionary way of meeting customer requirements at the performing command level is not feasible.

#### Section IV. Control/Organization

30. The purpose of this section is to review the organizational aspects of how the logistics part of the security assistance program is controlled with a view toward eliminating duplication of effort, streamlining organizational interfaces, and pinpointing responsibility for policy, program development, and execution. The organization and management of the total security assistance program is presented in Chapter 16.

31. It was concluded early in the study that devising a revolutionary way of meeting security assistance requirements at the performing command level would not be feasible. Therefore, organizational considerations are essentially limited to how the HQDA staff should be organized and how it should be interfaced with DSAA, the performing commands, and non--DA organizations. One of the problems in organizing for the security assistance mission is that responsibilities cross functional lines within the DA staff and within and between the performing commands and agencies. A factor which further complicates any organizational arrangement is that security assistance tasks performed by functional elements at all levels are not completely separable from similar tasks performed for the Army. At the present time, no one individual or agency is clearly responsible for the total security assistance program or the international logistics part of it. In fact, the word program in this case is a misnomer because really there isn't an overall program. The term security assistance program simply represents the aggregation of all security assistance requirements for which Army has responsibility. The orientation of the program is primarily logistics since this is by far the largest part.

32. Duplication of effort is the principal organizational problem. The area of greatest duplication is in the administration and management of the program as presently fragmented between the USAILCOM-WFO and ODCSLOG-IL. There is also some duplication at the DA staff level where the CASA and the Director of International Logistics (DIL) of ODCSLOG perform similar functions. Between DSAA and the procurement, production and item managers in the commodity commands, the people who actually procure and manage items, there are at least four layers. These layers are the CASA, ODCSLOG-IL, the WFO, and the IL Directorate of the commodity command.

33. The current primary roles of the various Army "players" are indicated below:

- a. CASA
  - Army spokesman for security assistance.
  - Keeps VCSA and USA informed of significant actions.
  - Chairs ASACG and acts as Secretary of the SASC.
  - Assures coordination of Army security assistance policy.
  - Interfaces with foreign clients.



- b. DIL
  - DA staff responsibility for all logistical policy aspects of security assistance.
  - Partially administers FMS & MAP programs including selective review of LOAs.
  - Develops and coordinates Army staff position for most policy issues which cross functional staff lines.
  - Monitors supply performance.
  - Coordinates total package with ODCSOPS.
  - Responds to queries.
  - Interfaces with foreign clients.
- c. USAILCOM-WFO
  - Front end planning for case/program development, administration and management.
  - Interfaces with foreign clients.
  - Determines source(s) of supply/responsible commodity command(s) and tasks as appropriate.
  - Administers FMS & MAP programs, including review of LOAs.
  - Monitors program performance.
  - Responds to queries.
- d. USAILCOM-NCAD
  - Maintains master record.
  - Requisitions and supply/transportation follow-up.
  - Interfaces with non-Army suppliers.
  - Generates program performance data.
- e. IL Directorate
  - Prepares, executes and closes FMS cases.
- Commodity Cmd
  - Monitors supply performance.

f. Functional Staff - Determines availability from stock or procurement.

Commodity Cmd - Determines price.

- Procures, or orders/releases from stock.

- Effects delivery.

34. As can be seen from the above, it is a long road from DSAA down to the functional people in commodity commands who actually take the actions to determine price, availability, procure the item and effect delivery action. To streamline operations and improve timeliness and responsiveness, all possible duplication should be eliminated. Taking the DA staff out of program administration and operations removes two of the layers. In addition, responsibility for performance would be pinpointed. It is obvious that neither CASA, the DIL, nor the Commander, USAILCOM can be considered responsible for the whole program. Restricting the DA staff role to policy would clearly establish the Commander, USAILCOM (or redesignated title) as the responsible individual for program implementation, administration and management.

35. The study group found that the DIL organization is currently performing many administrative or operational type functions. Yet the DIL neither manages, controls nor actually administers the program. The magnitude of the program makes it impossible to have a staff in the Pentagon large enough to effectively run the program or to be able to readily respond to the multitude of questions in the detail that DSAA usually requires. By attempting to take on a program administrative role, the policy aspect of the DIL function has been largely ignored except on a case by case basis usually associated with individual country program actions. Most of the 795 series regulations are outdated, and DSAA policy statements are most always passed to DARCOM without complimentary DA policy being developed. The result of this neglect of policy is that the performing commands must sift through a mountain of policy papers with the high probability that some aspect will be overlooked. In an effort to consolidate current policy, the DIL hired a contractor to update, eliminate, and consolidate, as appropriate, existing Army regulations. A simpler approach would be to develop a single policy and procedural manual similar to the DSAA MASM incorporating all the essential items in the various security assistance and international logistics regulations. Such a manual should not duplicate anything in the DSAA MASM.

36. Relative to its review of the organizational alignment of HQDA, the study group was given guidance that all non-policy security assistance functions should be stripped from the DA staff. The study group identified seven policy areas that require DA staff action. These are:

POLICY ISSUE	RESPONSIBLE STAFF AGENCY	
	PRIMARY	SUPPORTIVE
1. Military Assessments of potential FMS sales/grant aid commitments.	DCSOPS	DCSPER DCSLOG DCSRDA ACSI
2. Diversions/withdrawals of materiel.	DCSOPS	DCSLOG DCSRDA
3. Interference with planned use of training base.	DCSOPS	DCSPER DCSLOG TSG
4. Interference with planned use of production base.	DCSRDA	DCSLOG DCSOPS
5. Release of technology	DCSRDA	DCSOPS DCSLOG ACSI
6. DA Personnel Commitments	DCSPER	DCSOPS DCSLOG DCSRDA COA
7. Fiscal policies/procedures impacting on Army's own financial management.	COA	DCSOPS DCSPER DCSLOG DCSRDA TAG TSG COE

37. The decision to restrict the DA staff's role to policy matters led to a consideration of how should the Army be interfaced with OSD to receive policy statements, and how should the Army be interfaced with DSAA for program development, execution, and administration and

management. With regard to the latter, there was general agreement, as a result of the IPR process, that DSAA should be interfaced with a single executive agency for the interchange of actions relating to the implementation, administration and management of FMS cases and approved MAP. There was also general agreement that the single DA executive agency should be DARCOM because it is already responsible for the great majority of the program, i.e., 98% of the dollar value not counting the Corps of Engineers construction program. These agreements stem from an understanding of the magnitude of the overall program and acceptance of the fact that the preponderance of activity between DSAA and DA falls in the category of program implementation, administration and management and not in the category of policy. The problem of how to interface OSD with DA, to receive and process policy statements is made complex by the following:

- a. Although the preponderance of security assistance policy statements are issued by DSAA, other OSD elements also issue them, e.g., the OSD Comptroller, DDRE, and ASD (I&L).
- b. The OSD policy statements often cross the functional responsibilities of the DA Staff agencies.
- c. Policy issues, with which the DA Staff must concern itself, are not always clearly separable from program implementation/administration actions.
- d. The unique role of the DSAA makes it both the principal policy maker and, on an exception basis, the FMS case coordinator at the OSD level. In addition, they represent the foreign clients in resolving issues relative to program administration and implementation.
- e. The desire of ISA/DSAA to have a single DA spokesman for security assistance with whom they can do business. This would necessitate establishment of a spokesman who could speak to policy issues and who could reply to questions relating to program execution and administration.
- f. The magnitude of the program effectively precludes maintenance of a large enough Army Staff element within the Pentagon to monitor the program in order to readily answer questions relative to program execution and administration.

38. Two extreme courses of action relative to interfacing OSD and DA for receipt and processing of policy statements evolve from evaluation of the above factors depending upon whether they are weighted to maximize efficiency in program implementation/administration and responsiveness to DSAA and the foreign clients or



whether they are weighted to maximize recognition of the importance and sensitivity of the policy issues with the attendant need to maintain high visibility of the program within the DA Headquarters. The first extreme, if that course of action were to be followed, would result in all interchanges, both policy-related and program implementation/administration-related, flowing directly between OSD and the executive agency, bypassing the DA Staff. The executive agency would have to be charged with the responsibility for ferreting out policy issues and raising them to the DA Staff for development of a DA position. The second extreme, if it were to be followed, would result in all security assistance interchanges flowing between the OSD and the DA Staff. The magnitude of the program precludes the latter and the TASAPS analysis rejected the first. The TASAPS recommendation on this problem, as modified by the IPR process, is to interface DSAA with the executive agency for interchanging actions relative to implementation, administration and management of FMS cases and MAP orders and have OSD policy statements routed to, and acted upon, by the DA staff. Policy issues which surface in the field during implementation of FMS cases and MAP orders would be forwarded to the DA Staff for resolution by DARCOM (USASAC) or by TRADOC for training. Policy issues which surface in the field relative to program administration would be forwarded by the USASAC to the DA Staff for resolution. This recommendation is made even though it results in dual OSD-DA interfacing because this solution recognizes the importance and sensitivity of the policy issues and the need to keep DA corporate management informed.

39. Section II of this chapter describes how FMS requests are received and acted upon. Regardless of how requests are received, security assistance activities fall into one of two, broad categories. First, is the decision to sell or to include as a future grant aid commitment, i.e., program approval. Second, is an amalgamation of the actions taken to fulfill the approved programs. With the exception of financial policies and procedures, it is the first part, or the program approval part, where policy issues are involved requiring DA Staff concern. DA has responsibility to make military evaluations of certain sales and, in coordination with OSD, to make recommendations relating thereto to the State Department, and Congress. These requirements are clearly identifiable and could be promulgated to a field agency with instructions to refer such requests to HQDA before taking action. Second, assuming there is no military objection to the FMS/GA commitment, the Army wants to fulfill the commitments so that impact on readiness is either avoided or minimized. The second concern is a 'de facto' responsibility of the performing commands and it is interrelated with the first. Invariably, prior to the program approval process, DARCOM and/or

TRADOC are tasked to develop options which could be utilized to meet the requirement. Such information is vital to any assessment. For these reasons, the TASAPS study group concluded that an executive agency should be established and interfaced with DSAA for all matters pertaining to development, execution and administration of all FMS sales cases, approved either through the JCS process or under pre-established sales criteria, and execution and administration of Grant Aid programs. Grant Aid program development should continue through the JCS - DCSOPS channels. Sales parameters should be further expanded and clarified within which the executive agency could operate and which would ensure that policy issues discussed herein are raised to the DA Staff for resolution. This is simply an extension of a 'de facto' system and it would clearly establish responsibility to OSD and the foreign customer. Additionally, it would streamline and simplify the handling of a vast program. With regard to the foreign customers, the potential sales which DSAA negotiates are invariably the ones which contain policy issues of DA Staff concern. Interface with the foreign customers at this stage should be with DSAA. Actually, DSAA has mandated this relationship. After the sale is approved in principle, the interfacing with the foreign customer should be with the executive agency for sales case development (defining the requests) and for matters pertaining to sales case execution and management. There should be no interfacing with the foreign customer and the DA Staff regarding sales case development, execution, or management of the program.

40. Another requirement for the study group was to determine what DA Staff agency or agencies should be made responsible for coordinating OSD policy statements and those policy issues surfaced by the field. The alternatives range from the DAS routing policy documents in the traditional manner to the DA Staff agency having primary responsibility to amalgamating all of the security assistance dedicated personnel spaces of all of the functional staff elements into one agency dedicated to, and responsible for, security assistance policy. The TASAPS recommendation on this problem, again modified by the IPR process, was selection of a course of action between the two extremes. The need to coordinate security assistance - peculiar policy which crosses functional lines and the need to keep the Vice Chief of Staff and the Under Secretary informed on important policy issues, makes it prudent to maintain a security assistance focal point within the DA Staff headed by a general officer to coordinate policy issues and to interface with OSD Staff elements in resolving differences relating to policy issues. The general officer heading the security assistance focal point would also be charged with keeping the Vice Chief and the Under Secretary informed and would have direct access to those two officials in carrying out that function.

41. Program Administrative Procedures. There is a need to develop certain administrative procedures at the DA Staff level because they affect systems which are used to meet the requirements of both the US forces and the foreign clients. MILSTRIP, MILSTAMP and MILSBILS are examples. These are often construed to be security assistance policy issues. They are not. They are administrative procedures which are standardized by various DA Staff agencies working in coordination with their counterparts in OSD. Since the need for revision of the procedures is most often detected by the field, the use of a security assistance focal point in the office of the ADCSLOG to coordinate administrative procedural issues would be effective.

#### Section V. Analysis of Current Performance

42. The purpose of this section is to describe and analyze the adequacy of the existing capability for evaluating and monitoring international logistics performance.

43. The basic areas of effort requiring performance analysis are:

- a. LOA preparation to include accuracy, completeness, and timeliness.
- b. Cancellation of expired and rejected LOAs.
- c. Supply performance based on required availability date which stems from the availability stated on the LOAs.
- d. Financial management to include billing and reconciliation of financial and logistical data as well as accuracy of pricing and recoupment of all reimbursable costs.
- e. Adequacy of repair parts support.
- f. Analysis of ROIDs with the purpose of determining and correcting systems problems.
- g. Performance of project managed programs.
- h. Case close-out.

44. The primary documents available for use as management data sources are as follows:

- a. International Logistics Supply Delivery Plan (ILSDP). This plan is prepared on a manual basis quarterly by each commodity

command. It includes end items and is organized on an item basis. All FMS/Grand Aid claimants are identified by country code and FMS case/MAP order identifier. In addition, the date of order, required delivery date, quantity, and projected delivery dates are shown. Based on the report, each customer is notified quarterly of any delivery schedule changes.

b. International Logistics Quarterly Review. This report is prepared on a manual basis quarterly by each commodity command and by USAILCOM-NCAD. It provides information on LOA processing, supply performance (on-time deliveries), and the reason for delivery slippages. It also includes a summary of ROID actions and case close-out. The report is item oriented with certain sections broken out by country code identifier.

c. DSAA LOR Subsystem. This is a weekly automated report based on input from USAILCOM. It provides visibility of the status of LOAs under development and identifies those which have not been completed within the prescribed time, i.e., 45 days.

d. USAILCOM 1395 Report. This is an automated report in 37 parts. It is prepared weekly, monthly, and quarterly depending upon the part. It provides FMS and Grant Aid information at the requisition, case line, FMS case, country program, and worldwide security assistance program level. This report is the product of CISIL, the only dedicated management information system for security assistance.

e. DSAA 1123 Report. This report was initiated in mid-1977. It reports FMS case price increases exceeding 10% and delivery slippages.

f. Security Assistance Master Planning and Phasing Worksheet (SAMPAP). This is a quarterly report published by DSAA, but prepared on a manual basis by ODCSRDA based on input from the commodity commands. It includes Army dedicated production as well as FMS/Grant Aid production schedules by country and case identifier. This report is commonly used to determine approximate availability for potential new orders. It also includes a logistics supportability section and a training section to assist MAAGs/Missions in their advisory efforts.

#### 45. Adequacy of Data Sources.

a. The available data is sufficient for analysis of logistical performance. However, there is no similar capability for analyzing



financial performance, and the most complicated problems are in the financial area. For example, accurate cost estimates on LOAs are recognized to be a problem; but there is no existing capability for analyzing the elements of the pricing problem, and little basis for formulating corrective actions. In addition, none of the existing reports contain information relative to the accuracy rate of current billings. A capability for an integrated logistical and financial performance analysis needs to be developed in order to bring together these two facets of the security assistance program.

b. From a pure logistical standpoint, the available data sources contain information that is generally adequate for management purposes at every level. However, improvements could be made. For example, the ILSDP is difficult for country program managers to use. If this report were automated, it would be possible to print out the delivery schedule for every end item on every case on a country basis. This would allow country managers at USAILCOM to review supply performance for their country in detail. ODCSLOG-IL has taken action to have DARCOM automate this report.

c. DA Staff Review of Performance. During the past four years of rapid growth of the FMS program, the DIL organization in ODCSLOG has been occupied in responding to crisis actions, and in trying to act as a program administrator. Little resources were left for thoughtful evaluation of performance of mission activities in the field. Consequently, from a total international logistics program standpoint, the DIL has largely depended on the semiannual reviews provided by DARCOM to obtain information. The format for these reviews is similar to the Quarterly Review Brochures. In addition to the semiannual reviews which are not customer country oriented, DARCOM provides the DA staff periodic detail program reviews for selected countries. Project managed FMS projects such as the Saudi Arabia National Guard (SANG) modernization are subject to frequent detail review by DARCOM as well as the DA staff. Another element of the DIL review of performance is field visits to selected commodity commands. These type reviews are conducted as part of an overall logistics review conducted by ODCSLOG Teams. DIL personnel also make independent field visits on a periodic basis to look at areas needing emphasis.

d. Customer Reviews. As required, USAILCOM provides detailed reviews of the customer's total program in the customer country. These reviews include a specially prepared report which covers the status of every FMS case in detail.

#### Section VI. Findings/Conclusions

46. The purpose of this section is to provide a summary list of the findings and conclusions contained in this chapter.

47. There is no International Logistics system, per se. IL requirements for materiel and services are handled by the same organizations, procedures and systems used to support Army requirements. Foreign requirements should continue to be met using existing systems.

48. Security assistance requirements, and actions related thereto are of such magnitude, intertwined with and reliant upon Army systems that imposing significant change at the performing command (commodity) is neither needed nor feasible.

49. The "total package" approach has not been formally implemented. It is not feasible to apply total package to every request. Rather it should be regarded as a principle of doing security assistance business and selectively applied. To make "total package" a viable concept, the Army staff must be prepared to divert support items as may be needed from its own programs. A DA executive agent should have overall responsibility for package development in coordination with TRADOC.

50. Responsibility for price and availability determination should continue to be decentralized to the commodity command level. This fixes responsibility at the commodity command as opposed to USAILCOM appearing responsible.

50. For the foreseeable future, the areas of effort requiring the most management attention are the large dollar programs for certain developing countries, and the provision of adequate follow-on support without impact on U.S. Army requirements. A significant demand for rebuild services for major items could occur within the next two years.

52. Although there is a recurring requirement for Technical Assistance Teams (TATs), TAFTS, and other personnel services under FMS, there are no published DA policy or procedures which govern LOA preparation or implementation.

53. A centralized data base should be maintained to permit country level and worldwide-level management of the security assistance program.
54. FMS case management should continue to be centralized.
55. Duplication of effort between CASA and the DIL and between the DIL and the USAILCOM-WFO is the principal organizational problem.
56. DA staff should develop a single policy and procedural publication incorporating all essential items now contained in various other publications.
57. DA staff role in security assistance should be restricted to overall program policy.
58. A single DA executive agency for security assistance should be established.
59. The executive agency should be interfaced directly with DSAA and the foreign clients for implementation, administration and management of FMS cases and approved MAP.
60. DA staff focal point for security assistance should be interfaced with DSAA for policy matters.

#### Section VII. Recommendations

61. Recommendations pertaining to the organization and function of the DA staff and the Army interfaces with OSD/DSAA are included in Chapter 16 and will not be duplicated here.
62. Other recommendations derived from the findings/conclusions of this chapter are that:
  - a. Foreign requirements be met using existing performing commands/agencies; and that security assistance administrative procedures for all performing commands/agencies be standardized. (Executive Agent)
  - b. Responsibility for price and availability determination continue to be decentralized at the performing command/agency level. (Executive Agent)
  - c. The executive agent be responsible for total package development in coordination with TRADOC and other agencies as required. (ODCSLOG)

d. The executive agent follow-up on and implement recommendations in the Engineer Studies Group report (April 1977) on "Security Assistance Repair Part Support" sufficiently to assure adequate repair parts support in the future for both Army and foreign customer requirements. (Executive Agent)

e. A centralized, integrated data base be maintained by the executive agent to permit program management, to include financial, at the requisition, line, case, country and worldwide levels; and that the requirements for maintaining data for all aspects (TRADOC, DLA/GSA, TAG, USACC, TSG and OCE) of the security assistance program be formalized. (Executive Agent)

f. The DA staff develop policy governing the preparation and implementation of personnel services team LOAs such as Technical Assistance Teams (TAT); and that TRADOC be assigned responsibility, in coordination with other agencies as required, for LOA preparation, selection and deployment of team member and action on final reports. (ODCSLOG)

g. The DA staff develop a single security assistance policy and procedural publication incorporating all essential items now contained in Army regulations or other publications, but not duplicating the DSAA MASM. (ODCSLOG)



## CHAPTER 7

### MATERIEL ACQUISITION MANAGEMENT AND RESEARCH AND DEVELOPMENT

#### Section I. General

1. Foreword. During the past three fiscal years, approximately 42% of the Army Procurement Accounts (APA) - type materiel purchased by the US Army was purchased for foreign governments under the security assistance program, primarily Foreign Military Sales (FMS). This fact made it mandatory for the study group to examine the R&D and materiel acquisition management facets of the security assistance program. While the study was in progress, an additional reason developed to examine the Army's materiel acquisition practices. That reason was precipitated by a 14 June 1977 ASD(ISA) memorandum to the Secretary of the Army, in which it was suggested, among other things, that it would be desirable for the Army to prepare Letters of Offer and Acceptance (LOAs) at a central point as is done by the Navy and Air Force. This procedure would be in lieu of the decentralized preparation of LOAs at the performing command level as is presently done in the Army. The Secretary of the Army provided an interim reply to the ASD(ISA) memorandum on 23 June 1977 stating that TASAPS would address the suggestions during the course of the study. It was learned that the Navy and Air Force do, in fact administratively, prepare LOAs at a central point, but they use price and availability data developed by their responsible procuring commands. While it may be feasible for the Army to administratively prepare the LOAs at a central point using price and availability data developed by the performing commands, development of valid P&A data at a central point, which is the basic thrust of the ASD(ISA) suggestion is not feasible. The impracticality of the ASD(ISA) suggestion is outlined in this chapter. It is recommended that the information be used as the basis for preparing the Secretary of the Army's final reply on this particular issue to the ASD(ISA).

2. Comparison of US and FMS Procurements. The importance of FMS in maintaining warm production bases is shown by the following comparison of procurements of selected Major Defense Equipment (MDE) for the US and for FMS/MAP. (Figure 7-1)

3. Impact of Security Assistance Programs on Materiel Acquisition For US Forces. The October 1975 CASA Study reported that the Army had been placed in the position of being unable to satisfy all FMS requests from production. This no longer presents a significant problem as there have been no significant withdrawals or diversions

CY 1973 - 30 June 1977

<u>ITEM</u>	<u>US ARMY</u>	<u>FMS/GA</u>	<u>% FMS/GA</u>
Missile, Dragon (Heat)	12,065	4,060	25%
Missile, HAWK	0	144	100%
Missile, HAWK Improved	3,626	1,384	28%
Missile Tow (Heat)	93,195	51,057	35%
Launcher, Tow	4,594	2,214	33%
Tank M60			
Tank M60A1	1,380	1,339	49%
Carrier, Armored Personnel, M113			
Carrier, Armored Personnel, M113A	127	4,802	97%
Howitzer, SP, 155MM, M109			
Howitzer, SP, 155MM, M109A1			
Howitzer, SP, 155MM, M109A1B	0	886	100%
Carrier, Command Post, M577A1	0	587	100%
Carrier, Mortar, FT (81MM) M125A1	0	760	100%
Carrier, Mortar, FT (107MM) M106A1	0	127	100%
Fitter Vehicle (Modified M113A1)	0	306	100%
8" Howitzer, SP, M110	0	10	100%

Figure 7-1. Major Defense Equipment delivered.

in the past two years. It is the perception of those with whom the study group talked that requests for expedited deliveries have essentially stopped because the great influx of materiel into the Middle East countries is outpacing the speed with which they can absorb it. They are more willing to wait for normal lead times.

4. Core FMS Acquisition Management Problem. The core FMS materiel acquisition management problem is how to meet foreign requirements without interfering with the planned use of the production base to meet the requirements of US forces. The problem stems from the fact that the Army has no means of doing long term planning for FMS materiel acquisition as it does for itself under the five year Planning, Programming, and Budgeting System (PPBS). Planning for FMS nearly always starts at the time the foreign nations submit their requests. It appears this will continue to be the case. As DSAA officials have acknowledged, it would be folly to attempt to get 80 plus foreign entities to change their internal procedures to conform to our five year PPBS. OSD has recently included a FMS projection in MAP planning documents based on the "best guess" of the US military elements in country. Again, as DSAA officials have acknowledged, these projections are of planning value only in the broadest sense. No actual acquisition planning can be done from the document because they are not refined enough and do not truly represent the views of the foreign nations. Further refinement is unlikely because surveys are essentially forbidden by our national policy of not promoting arms sales. This policy is clearly spelled out in a 28 April 1977 Deputy Secretary of Defense Memorandum, subject: Control of Incentives that Stimulate Arms Transfer Requests.

## Section II. Direction/Control

5. The flow of staff communications and coordination for Army research and development activities follows a specific "track" distinct from Army materiel acquisition. For research and development considerations, the channel downward is DDRE, ASA(RDA), ODCSRDA, USAILCOM, and DARCOM Materiel Development Centers. For materiel acquisition functions, the downward channel is DDRE, ASA(RDA), ODCSRDA, USAILCOM, and DARCOM Readiness Commands.

6. Materiel Acquisition Management. The ODCSRDA acts as the DA focal point in developing the Army's five year projected materiel acquisition plans by amalgamating the materiel needs of the Army as quantified by ODCSOPS and the other services, the budget guidance as promulgated by OSD, and the capacities of the in-house and commercial production bases as ascertained by DARCOM project managers, Readiness Commands and Materiel Development Centers. The five year plans are used by DARCOM to reserve capacity of the production bases

to meet the projected buys for the US forces. As requests from foreign governments are received, the DARCOM MSCs schedule the foreign requirements, on a first-come first-served basis, utilizing residual capacities so as not to interfere with planned US buys.

7. R&D Management as Related to FMS. R&D management, as it relates to FMS, revolves around the concern for technology export and safeguarding classified information/materiel. The management responsibility within the DA Staff is shared by the ACSI and the DCSRDA. The ACSI establishes the level of security classification the various nations can receive without the DA Staff processing an exception to the National Disclosure Policy (NDP). The DCSRDA has DA Staff responsibility for classifying materiel. Together, this information establishes sales parameters within which the field agencies can conduct FMS business. Requests which do not fall within the parameters, are referred to HQDA with request for guidance. Since the 1975 Security Assistance Study was made, the DCSRDA has taken the lead to address the sales criteria to be applied to the sale of specific weapons system. Both the ASARC/DSARC system and the Army Security Assistance Coordinating Group have been used to do this. In addition, HQDA has established the policy of selling only materiel which has been type classified, i.e., that which is standard. Requests for non-standard items are also referred to the DA Staff before they are acted upon.

8. Munitions Control/Export License and Strategic Trade Cases.

a. While the DCSRDA is a principal participant, the CASA has overall Army responsibility for munitions control actions, and provides to OSD the Army position relative to each case. Other Army staff elements, DARCOM and other major commands are responsible for providing technical guidance, and recommendations. CASA uses DA Form 4605 (March 77) for establishing a position and recording concurrences and non-concurrences. Most cases are referred to the commodity commands of DARCOM because there is limited technical expertise above that level.

b. The DA policy regarding the export of defense articles and technical data to foreign nations and international organizations; and the approval of manufacturing and technical assistance agreements through the media of export license applications received from US firms is set forth in AR 795-9.

(1) An export license must be obtained from the State Department for the export from the United States of any defense article, or



technical data relating thereto, which is on the munitions list. The munitions list is published in the International Traffic in Arms Regulations (ITAR) by the State Department. Defense articles are designated as arms, ammunitions and implements of war.

(2) Strategic trade cases are the responsibility of the Department of Commerce. These cases cover sales of non-munitions list strategic items, which have both commercial and military application, to the Soviet and Sino-Soviet Block countries. These cases are handled in the same manner as the export license cases.

(3) Evaluation criteria for export applications are as follows:

(a) Will the sale of the information, article, or system, although perhaps unclassified, require the disclosure of classified information for operation, maintenance, or production at a later date?

(b) Impact on military assistance and FMS programs.

(c) Impact on DA research and development, production, procurement and supply for Army and Reserve Component Forces. An impact statement describing the effect on logistic support/readiness of US Forces and the production base is required. The statement will equate furnishing the items against the programed buy toward attainment of the Authorized Acquisition Objective (AAO) for Army. For export of repair parts and secondary items, the statement will include an order of magnitude statement on backorders outstanding to satisfy US customer requirements.

(d) Significance of article in relation to the state-of-the-art or advanced technology.

(e) Determination of allowable non-recurring research and development and production costs, recurring support costs, rental charges on Government Furnished Equipment (GFE), or royalty charges.

c. Army concurred in most of the 1,547 cases reviewed in CY 1976. While CASA maintains a record of cases in which Army has concurred and non-concurred, new cases are not checked against the file to identify previous Army positions on the same or similar requests. The DA Form 4605 does not include a section for identifying any previous requests to export the same item or information. CASA relies on the contractor making the request to provide such information on his application. OSD provides feedback to Army of concurrence or non-concurrence; however, Army is not routinely informed of case approval or disapproval by the State and Commerce Departments.

Army has requested that it be notified of approved cases involving recoupment of allowable non-recurring costs, rental charges and royalty charges. Upon receipt of such notifications, HQ DARCOM is requested to initiate recoupment actions. Procedures for collection were prescribed by ODCSRDA in an April 1976 letter; however, neither the Army staff nor HQ DARCOM has established follow-up procedures to assure that all authorized recoupments are actually accomplished.

d. The main problem area in processing export license cases is the release of technology. ODCSRDA has primary Army staff responsibility for policy relative to technology release. However, in most cases the Army position is developed in the commodity commands and are either supported or rejected through Army staff review coordinated by the CASA. The study group found during its visits to the commodity commands and from discussions with Army staff personnel that the technical criteria regarding release of technology was vague. There appeared to be no common understanding of what release of technology the Army should support or why. In August 1977, OSD provided new interim policy guidance for export control of United States technology. Army is presently in the process of implementing this new guidance. This action should help clarify the criteria for evaluating munition control/export license requests.

e. Prior to the 1975 Army Security Assistance Study, DARCOM was responsible for processing and establishing the Army position on munitions control actions. Appropriate cases, as determined by DARCOM, were coordinated with the Army staff before providing a recommendation to OSD. Since the munitions control function is largely administrative in nature, it should be returned to DARCOM. The Army staff role should be to develop policy governing the criteria for release; and reviewing those cases which are not clearly covered by policy as well as cases which constitute exceptions to policy.

### Section III. Current Procedures

9. Materiel Acquisition Management. Except for the development of the Army's five year materiel acquisition plan by DCSRDA, materiel acquisition management for both the US forces and for FMS, operates on a highly decentralized basis. Essentially, full reliance is placed on the materiel managers in the DARCOM Readiness Commands and Project Managers to take procurement actions to meet FMS requirements so that they do not conflict with planned procurement for US forces. The "modus operandi" of the Army dictates this to be the case since courses of action to meet a requirement can only be determined at that level. The management technique used can best be described by quarterly Security Assistance Master Planning and Phasing Worksheets

(SAMPAP) which are prepared by DARCOM commodity commands. These worksheets graphically project a comparison of production base capacities for the 40 principal weapons systems with planned US buys and FMS commitments. Residual capacities are stratified to indicate where FMS requests, yet to be received, could be scheduled. For other items, reliance is placed on the commodity managers to develop non-mission impacting courses of action on a case by case basis. The system appears to work well for most types of commodities; however, with ammunition, the problem is not so much in avoiding conflicts with US requirements as it is in scheduling production for foreign requirements which are received out of phase with our planned production.

10. Development of Price and Availability (P&A) Data on Letters of Offer and Acceptance (LOAs).

a. P&A data are developed by the performing commands. Underestimating the price on some LOAs has been a problem, and the reasons include inflation, increases in labor and materiel costs, late acceptance by the customer, and application of the pricing policy changes which became effective in June 1975. However, the pricing problem cannot be corrected by centralizing the pricing functions. In fact, there are several reasons why centralizing the P&A function is not feasible. These are discussed below:

b. Materiel acquisition practices. Development of P&A is complicated by the various ways in which the Army procures or produces items. For example, as in the case of communications-electronics equipment, several components may be separately procured from different manufacturers and then set assembled in-house by government employees. In another example, the Army produces certain items such as gun tubes and fire control equipment in its own arsenals with its own employees. These items are then provided major item manufacturers as government furnished equipment. Another example is the manner in which ammunition is produced in government-owned, contractor-operated facilities. In another example the Army buys raw materials and furnishes them to the contractor. All of these diverse practices tend to complicate the P&A development process.

c. Determining the requirement. There is more to P&A development than the procurement function. Major items may be ordered in several different configurations. Common differences specified include installed communication equipment and armament as well as color of paint. The technical expertise is at the performing command level,

and the exact configuration desired by the customer can be determined only at that level. Configuration differences may result in varying prices for major items on the same production line.

d. Information required for developing accurate P&A. The P&A are influenced by many factors. The only place all these factors are brought together is at the performing command level. These factors include a knowledge of the total requirements, US and foreign, the procurement plan or status of current production including contract options, the availability of GFE, and the configuration specified by the customer.

e. Responsibility. Development of P&A by the performing command responsible for procuring the items also fixes responsibility or the P&A as stated on LOAs. If the P&A were developed by a centralized office not responsible for the actual procurement, the explanation of P&A changes would be more difficult. Under the present system, there is incentive for the commands to procure and deliver within the P&A developed by them.

#### 11. Ammunition Acquisition Management.

a. Of all the commodities sold to foreign customers under FMS, ammunition items represent probably the greatest management challenge. This is the case for several reasons:

(1) Most ammunition components, except metal parts, are produced and assembled in-house in Government Owned Contractor Operated (GOCO) plants. During the past three years, Army requirements have decreased overall and some plants have been placed in standby status. Production is scheduled or planned, based on Army and other service requirements and firm requirements from foreign customers. Planning for the foreign requirements on a long range basis is not possible because in most cases foreign customer orders are not predictable as to timing, items or quantities. When foreign requirements are received, some items may, at that time, be out of production and not scheduled for new production for two or more years, if at all. This leads to customer frustration when faced with longer leadtimes and uncertain prices.

(2) Ammunition is now virtually the only commodity where shipments from stock for FMS requirements are possible. Items available from stock are routinely offered from stock on the LOA. However, many items such as certain mines and 50 cal ammunition may be several years old, and some customers are reluctant to accept older items



at any price. The customer may be frustrated if he wants new production items but cannot get them because his requirement does not represent an economic order quantity (EOQ).

b. In recent years, some customers have lodged complaints concerning ammunition price increases, age of some items and leadtime changes. For one such case an ammunition team was sent to the customer country to respond to specific complaints and questions and to explain current pricing policy and procurement/production procedures. In addition, the team made several recommendations to the customer which were considered mutually beneficial. The recommendations, summarized below, appear to be appropriate for other customers as well.

(1) The customer should compute total requirements for the next five years; request planning data before requesting an LOA; request separate LOAs for each type of ammunition, e.g., artillery, small arms, tank, and mines; and identify urgently required items.

(2) Based on the above, for urgently required items, the commodity command would provide information relative to estimated price and availability from stock and from procurement; the maximum age of available stock items; and the results of the latest reliability tests.

(3) Based on Army's planning data, the customer requests LOAs for each type of ammunition, and identifies source, stock or procurement. The rationale for requesting separate LOAs for each type of ammunition is that it simplifies and expedites LOA preparation, implementation, management and case closeout.

c. In addition to the above recommendations, OSD/DSAA and the State Department approved release to the customer of a list of conventional ammunition, under current production and planned for production by fiscal year through 1983. Release of this information was caveated with the statement that the list was for planning purposes only and did not constitute USG approval or agreement to sell any item thereon. The release of the production planning information and the ammo planning recommendations should greatly assist the customer in managing his requirements. Benefits should also be realized by the commodity command.

d. The study group believes that similar information should be made available to all customers. Instead of providing each customer with the planned production schedules for every item, the list could be tailored for the individual customer and include information only for the items the customer has previously purchased.

If most customers used this information and submitted their requirements accordingly, better management of procurement and production could result with the possibility for less price change and shorter leadtimes. In addition to the planned production schedules, it would be useful to notify the customer annually of the cutoff dates for receipt of approved requests.

e. The release of planned production schedules must be further coordinated with OSD/DSAA to assure compliance with the DEPSECDEF memorandum mentioned in paragraph 4 above.

#### Section IV. Findings/Conclusions

12. The DA Staff interests in R&D and Materiel Acquisition management aspects of FMS are passive since their interest is primarily in protecting Army readiness through control of technology transfers and reservation of production base capacities for planned US buys. Full reliance is placed on the commodity managers in the field to accomplish actual FMS business within sales parameters designed to protect US interests.

13. Follow-up procedures should be established to assure that authorized recoupments on direct commercial sales are actually collected and placed in the proper accounts.

14. Better management of ammunition sales could be achieved by providing the customer with planning data including planned production schedules for current and future years.

15. It is not feasible to centralize the development of price and availability information for LOAs. This function should continue to be accomplished at the performing command level.

#### Section V. Recommendations

16. It is recommended that:

a. Follow-up procedures be established to assure that authorized recoupments on direct commercial sales are actually collected and placed in the proper accounts. (Executive Agent)

b. Planning assistance and planned production schedules for conventional ammunition be offered each customer as approved by OSD/DSAA. (Executive Agent)

c. Responsibility for price and availability determination continue to be decentralized at the performing command/agency level. (Executive Agent)

## CHAPTER 8

### TRANSPORTATION

#### Section I. General

1. Use of the Defense Transportation System (DTS) to Move Security Assistance (SA) Materiel. The Army has certain responsibilities for utilizing the Defense Transportation System (DTS) to move materiel under both the MAP and FMS portions of the Security Assistance Program. This chapter covers those responsibilities which are:

a. Military Assistance Program. US MAP funds are utilized to pay transportation costs to move MAP materiel to the CONUS port of embarkation and to pay loading costs at the US port of embarkation. This results in the DOD being responsible for arranging both the transportation from point of origin to the port of embarkation and for loading the materiel on shipping arranged for by the recipient government. In addition, 27 nations have been exempted from paying the transocean transportation costs and two of the 27 nations have also been exempted from paying debarkation port charges. The charges for these exempted countries are paid with US MAP funds. Accordingly, DOD is responsible for arranging the transocean shipment for the 27 exempted countries and for arranging off-loading at the ports of debarkation of two of the recipient countries.

b. Foreign Military Sales (FMS). Although the basic policy is to have each procuring government completely responsible for the transport of FMS materiel from point of origin, in actual practice the DTS is utilized to move FMS cargo for two reasons. First, it is the policy that dangerous and classified cargoes will be moved using the DTS to the port of embarkation. Second, waivers can be given to allow use of the DTS to move other cargoes, on a reimburseable basis, when the procuring government would have difficulty in arranging its own transportation. There are eight different delivery term conditions that can be applied to a FMS sales case. These conditions range from the US providing transportation and delivery to a foreign in-country location including use of Parcel Post to the customer picking up the materiel at a US inland point of supply. In all FMS cases, the US is required to recoup all costs associated with supplying the materiel to the customer.

2. Scope of Security Assistance Transportation Activities. In a February 1977 study, the Military Traffic Management Command (MTMC) determined that approximately 80% of the total FY76 FMS shipments from point of origin were received by country agent freight forwarders for movement by commercial transportation. The remaining 20% was moved to the port and outloaded by DOD. A little over one-half of the tonnage handled by DOD was loaded to ships arranged by the country agent and DOD involvement was terminated at that point. A little less than one-half of the tonnage was loaded to DOD arranged shipping for farside delivery. Approximately one percent of the FY 76 FMS cargo moved within the DTS was by MAC airlift. The report also determined that slightly less than one half of the cargo moved within the DTS fell in the dangerous and classified cargo category but because of US policies, it was mandatory they would have to be so moved. The MTMC study concluded that the FMS tonnage comprised only seven percent of the FY 76 total DOD export handling workload and that level of tonnage is of minimal impact on the DOD transportation operating agencies. While the MTMC study only addressed FMS shipments and did not address MAP shipments, the small size of the MAP materiel program makes it safe to assume that arranging transportation within the DTS for security assistance shipments, at the level they are presently being arranged, does not represent a significant workload to the transportation operating agencies. However, the scope of IL transportation activity is large. During FY 76 there were 684,000 IL requisitions placed on the US distribution system. These requisitions represent 684,000 potential shipments, not allowing for split or consolidated shipments. Each shipment represents a separate action within the distribution system and as such, is subject to errors and inefficiencies that can lead to Reports of Item Discrepancies, billing problems, supply delays and customer complaints through diplomatic channels. Transportation does not stand alone in the distribution system. It requires direct and constant coordination with the supply financial portions of the distribution systems and the customer and/or his transportation agent to ensure effective logistical support.

## Section II. Direction/Control

3. The transportation activity of the security assistance program operates on a very decentralized basis after the delivery terms are established in either a MAP order or an FMS sales case. Utilizing standard systems procedures established in MILSTAMP, MILSTRIP, and MILSBILS, the transportation sections of the numerous shipping activities either notify the commercial freight forwarders designated by the foreign countries that the materiel is available for shipment or request the



MTMC to arrange for booking with MAC or MSC and to arrange movements of the materiel to the appropriate air or ocean terminal. The Army does have inherent responsibilities, however, which may not be made self evident by this description. They are:

a. The responsibility to be able to account for, and trace, shipments to the point where DOD responsibility ends and to resolve problems relating thereto.

b. The responsibility to assist foreign governments and their agents in gaining an understanding of DOD standard systems transportation and billing documentation.

### Section III. Current Procedures

4. Procedures, as they relate to security assistance transportation activities, fall into two broad categories which are administrative and operational.

a. Administrative Procedures. The administrative procedures are spelled out in MILSTRIP and MILSTAMP, which translate legislative and regulatory provisions into standard procedures for DOD. They are the responsibility of the Military Standards Systems Office in the Defense Logistics Agency (DLA). The MILSTRIP and MILSTAMP regulations apply to both US forces and to the security assistance program. The procedures for US forces are modified within the regulations, as necessary, to accommodate the peculiarities of the security assistance program. The DLA relies heavily on the services to identify needed changes to the regulations. The Army's interface with DLA for this purpose is the DA DCSLOG.

b. Operational Procedures. As outlined above, transportation operations are conducted on a decentralized basis by the numerous supplying activities coordinating directly with either the customers' freight forwarders or the MTMC. This facet, like the other facets of the security assistance program, requires a central focal point to which the foreign customer can go to receive assistance and to resolve problems relating to the shipment of their materiel. To meet this need, the USAILCOM formed a Directorate of Transportation at the NCAD location in November 1976. This Directorate has two field agencies, called Freight Forwarder Assistance Offices, located in New York City and San Francisco. The NCAD location allows for effective assistance to be given the foreign customers in tracing shipments and resolving problems relating thereto since MILSTRIP/MILSTAMP documentation is consolidated there in the Master Program Record. The efforts of the two Freight Forwarder Assistance Offices appear to provide a needed service.

#### Section IV. Findings/Conclusions

5. There does appear to be a need for a small cell of transportation expertise in the Washington element of the US Army Security Assistance Center (USASAC), which is being formed as a result of the recommendations of this study group. This cell could provide technical assistance to foreign representatives located in the Washington area as well as to the USASAC personnel administering sales cases. In addition, the cell could act as the focal point for identifying and coordinating security assistance peculiar problems with the DA Staff. A GAO report which was released during this study highlighted the need to emphasize this facet of the program.

#### Section V. Recommendation

6. Establish an internal transportation cell in the Washington Field Office of USASAC to assist foreign clients and USASAC in the administration of security assistance cases. (USASAC)

## CHAPTER 9

### THE SURGEON GENERAL SERVICES

#### Section I. General

##### 1. Background.

Participation by the Army Medical Department (AMEDD) in security assistance has been a process of evolution. The unique features and expertise of the AMEDD have, over the years, dictated the assumption of an ever increasing role in medical aspects of security assistance. The AMEDD has recognized that the adequacy and timeliness of sound health care are vital to the interests of any nation, especially those in the early stages of development and modernization. Still, AMEDD represents a relatively small portion of the total Army program. For this reason, security assistance within the AMEDD has had no single entity charged with overall policy and coordination.

##### 2. Organization of the AMEDD for Security Assistance.

The AMEDD organization for security assistance is contained within the existing staff elements of the Office of The Surgeon General (OTSG). Generally, the Directorate of Resources Management is responsible for financial management; the Directorates of Personnel and Health Care Operations share responsibilities for medical training; the Directorate of Health Care Operations is responsible for medical materiel and medical services and the Security and Foreign Liaison Office is responsible for orientation tours within the United States. To facilitate coordination, the Directorate of Health Care Operations has been designated the security assistance point of contact for the AMEDD. US Army Medical Department Personnel Support Agency (USAMEDDPERSA) and the US Army Medical Research and Development Command and the US Army Medical Materiel Agency (USAMMA) support the training and logistical functions. Finally, the Health Services Command (HSC), as a performing command, provides substantial security assistance training, assistance, and service.

#### Section II. Direction and Control

##### 3. AMEDD Security Assistance Policy.

AMEDD security assistance policy follows applicable existing DA policy. There is no separately formulated and implemented AMEDD policy for security assistance actions. Interpretation of policy is accomplished on a functional basis and is normally done at the corresponding functional coordination point. These coordination points are shown in Figure 9-1.

<u>Function</u>	<u>Type Coordination</u>	<u>Coordination Point</u>
Orientation Training Tours	Planning/General	Security and Foreign Liaison Office, OTSG
Individual Training	Planning/General	Education and Training Division, USAMMEDPERSA
Mobile Training Teams	Planning/General	Directorate of Health Care Operations, OTSG
Medical Materiel	Planning/General	Logistics Division, Directorate of Health Care Operations, OTSG
Technical Assistance Teams	Planning/General	Plans and Operations Division, Directorate of Health Care Operations, OTSG
Medical Treatment	Planning/General	Directorate of Health Care Operations, OTSG
Financial Management	Planning/General	Directorate of Resources Management, OTSG

Figure 9-1. AMEDD security assistance program control points.

#### 4. Operational Problems.

AMEDD operational problems are handled identically for security assistance participants as are those encountered when supporting US forces. Command or technical supervisory channels are utilized, as appropriate, for problem reporting, requesting guidance and assistance, and for problem resolution.

#### 5. AMEDD Security Assistance Reporting.

There are no AMEDD security assistance functional or managerial reports submitted outside the performing activities on a routine basis. Reports that are submitted are unique to a particular operational problem or case and are more narrative than quantitative. Summary AMEDD financial management data is reported routinely by all performing activities.



### Section III. Current Procedures

#### 6. Training.

a. General. The annual dollar value of AMEDD security assistance training is shown in Section IV of this chapter. In addition to the unique requirements contained in security assistance documents (FMS cases and International Military Education and Training Program orders) the training function is accomplished in accordance with the policies, procedures, and standards prescribed for US forces. AMEDD security assistance training encompass individual training, orientation training tours and mobile training teams all of which are addressed in Chapter 5, Training.

b. MACOM/DA Organizational Interfaces Required to Accomplish the AMEDD Security Assistance Training Function. The accomplishment of AMEDD security assistance training requires varying organizational interfaces depending on the type training, whether it is specified as a separate case, is included in a larger case, or whether it is part of a materiel or services case. Interfaces are required for both front end coordination and case execution and are accomplished with selected MACOM/DA elements as required.

#### 7. Materiel.

a. Type materiel provided. AMEDD materiel is provided under either a blanket open end (BOE) case or a dollar line case. Currently, neither major medical end items nor non-standard medical items are provided to client countries. On occasion, some non-standard items have been supplied on an exception basis.

b. Performance. USAMMA is the performing activity for all medical materiel requirements. Requests for materiel are received from client countries through the MAAG or directly from client country embassies in the US. These requests may initially go to USAILCOM, OTSG, or USAMMA, but are eventually routed to USAMMA. USAMMA determines price and availability, writes the letter of offer and routes it through the Washington Field Office (WFO) of USAILCOM. Accepted cases are forwarded to the New Cumberland Army Depot (NCAD) office of USAILCOM for entry into the Army's master data base. USAILCOM creates the requisitions necessary to assure accomplishment of the case. These requisitions are routed to USAMMA which is the Army National Inventory Control Point (NICP) for medical materiel and is the Army's interface with the Defense Personnel Support Center (DPSC) of the Defense Logistics Agency which is charged with providing most medical materiel to the Army and its customers. USAMMA monitors the performance of DPSC, receives supply and shipment status which is forwarded to client countries, and initiates the DD Form 645 to accomplish case closure.

8. Services. Services provided are in the form of either technical assistance or medical treatment.

a. Medical treatment. Medical treatment is provided to foreign personnel who are receiving training in CONUS facilities. Treatment may be on either an in-patient or out-patient basis and is provided in accordance with the provisions of the training case under which the individual is receiving training. Treatment may also be provided under the provisions of other agreements existing between the US, NATO and (IMET) countries. Medical treatment is provided as shown in Figure 9-2.

<u>PATIENT TYPE</u>	<u>TYPE TREATMENT</u>
NATO (IMET & FMS)	
Military students	Same as US military
Dependents of military	Space available only
Civilian students & dependents	Emergency care only
Non-NATO (IMET)	
Military & civilian students	Space available only
Dependents	Space available only
Non-NATO (FMS)	
Military & civilian students	Space available only
Dependents	Space available only

Figure 9-2. Medical treatment for foreign students in US Army medical treatment facilities.

b. Technical assistance. Technical assistance is provided to client countries through technical assistance teams (TAT) or technical assistance field teams (TAFT).

9. Systems. There are no AMEDD systems utilized uniquely for security assistance. Systems utilized are those existing and supporting US troops and units. AMMED participants accomplish system entry and exit through interfacing organizations, i.e., TRADOC for training and DARCOM for materiel. After these interface functions are performed, actions routinely process through Army standard operating systems; i.e., the MILSTRIP, MILSTAMP, MILSTRAP, and MILSBILLS systems. These systems accommodate all medical materiel to include refrigerated cargo (vaccines), hazardous items (gases and flammables), items which require export permits (narcotics) and short potency period items.

#### Section IV. Analysis of Performance

10. Manpower. AMEDD participation in security assistance does not require extensive full time personnel staffing. Most functions are accomplished on a part-time basis. Current manpower resources dedicated to security assistance are shown in Figure 9-4.

<u>Organization</u>	<u>Full Time</u>	<u>Part Time</u>
Health Services Command		
Academy of Health Sciences	3	*
Security Directorate		1
DCSOPS		1
DCSLOG		
MEDDACs/MEDCENs	1	6
Comptroller		2
Office of the Surgeon General		
Security & Foreign Liaison Office		2
Directorate for Health Care Operations		2
AMEDDPERSA	1	1
Directorate for Personnel		1
TOTAL	5	16

\* Instructor personnel number variable.

Figure 9-4. AMEDD manpower for security assistance.

#### 11. Training.

a. The value of AMEDD security assistance training performed during specific years is shown in Figure 9-5.

<u>Type</u>	<u>FY 75</u>	<u>FY 76</u>	<u>FY 7T</u>	<u>FY 7T</u>
<u>Training</u>	<u>Value</u>	<u>Value</u>	<u>Value</u>	<u>Value Annualized</u>
IMET	\$114,000	\$ 55,724	\$17,896	\$ 71,584
FMS	116,000	176,000	68,329	273,316
T O T A L	\$230,000	\$231,724	\$86,225	\$344,900

Figure 9-5. Value of training performed.

b. The number of personnel receiving AMEDD security assistance training for specific years is shown in Figure 9-6.

Type Training	FY 75	FY 76	FY 7T	FY 7T Annualized
IMET	23	17	12	48
FMS	<u>70</u>	<u>27</u>	<u>6</u>	<u>24</u>
T O T A L	93	44	18	72

Figure 9-6. Number of personnel receiving training.

c. The number of students currently receiving AMEDD security assistance training is 25 (IMET has 5 and FMS has 20). In addition, there are approximately 50 AMEDD cases currently in various developmental stages which may ultimately result in requirements for case performance.

12. Materiel. Historical data that is representative of AMEDD security assistance activity in the medical area for specific years is shown in Figure 9-7. The relatively small value shown for FY 1977 is due to the absence of Israeli and Korean requirements in the program. These two countries historically account for a large volume of medical materiel sales.

Fiscal Year	Number of Cases	Number of Countries	Value
1977*	28	15	\$ 508,467
1977**	24	16	\$ 5,168,696
1977	6	4	\$ 1,291,924
1976	27	16	\$11,174,789
1975	24	14	\$ 5,334,933

\*As of 30 June 1977

\*\*FY 7T Annualized

Figure 9-7. Medical materiel activity.

### 13. Services.

a. The value of medical treatment services rendered to security assistance program recipients for specific years is shown in Figure 9-8.



Recipient Category	<u>FY 75</u>	<u>FY 76</u>	<u>FY 7T</u>	<u>FY 7T Annualized</u>
IMET	\$ 30,000	\$ 36,000	\$ 9,000	\$ 36,000
FMS	*	54,104	27,158	108,632
TOTAL	\$ 30,000	\$ 90,104	\$36,158	\$144,632

\*FMS dollar cost not available for FY 75.

Figure 9-8. Medical treatment rendered.

b. Complete, correlated historical data for technical assistance rendered is not available. Recent technical assistance teams have included one medical team to Nicaragua and one medical team to Columbia.

#### Section V. Findings

14. AMEDD coordination and case performance is accomplished on a functional basis.

15. While a central coordination and liaison point currently exists within the Office of The Surgeon General's Directorate of Health Care Operations, there is no central data accumulation to measure the total value of accomplished security assistance actions.

16. Security assistance actions to date have not adversely impacted on AMEDD training, personnel, materiel, and financial resource availability.

#### Section VI. Recommendation

17. AMEDD activities accomplishing security assistance actions routinely report the value and number of actions accomplished during a designated period. This report should be submitted to the central coordination point within the Directorate of Health Care Operations. (OTSG)

## CHAPTER 10

### ENGINEER SERVICES

#### Section I. General

1. The Corps of Engineers (CE) is the Department of the Army component which provides construction management services for security assistance customers. These services include management of design and construction projects for foreign governments under both Grant Aid and programs fully funded by security assistance customers. The bulk of the CE security assistance services are currently being furnished under customer funded programs, i.e., an Engineer Assistance Agreement (country-to-country agreement) or Foreign Military Sales Cases. The preponderance of these customer funded programs are located in Saudi Arabia.

#### Section II. Direction/Control

2. The Corps of Engineers organization to manage the Saudi Arabian programs is generally similar to its structure for managing other Corps programs. (See Figure 10-1)

a. At the Department of the Army level, the Corps coordinates closely with the Army staff and OSD (DSAA) and participates in Army security assistance management.

b. Within the Office of the Chief of Engineers, the Director of Military Construction is responsible for staff coordination for security assistance design and construction matters accomplished by the Corps for foreign governments.

c. In the field, the Middle East Division (MED), headquartered in Riyadh, Saudi Arabia, designs and constructs facilities for, and provides related management services to specified foreign governments within its area of responsibility. The MED is the Department of Defense construction agent for the Middle East and North Africa and has responsibility for the administration of the program in Saudi Arabia.

(1) The MED maintains a rear contingent in the United States in northern Virginia. This contingent is responsible for engineering design, contract awards and coordination with US architect-engineer firms and construction contractors interested or involved in design

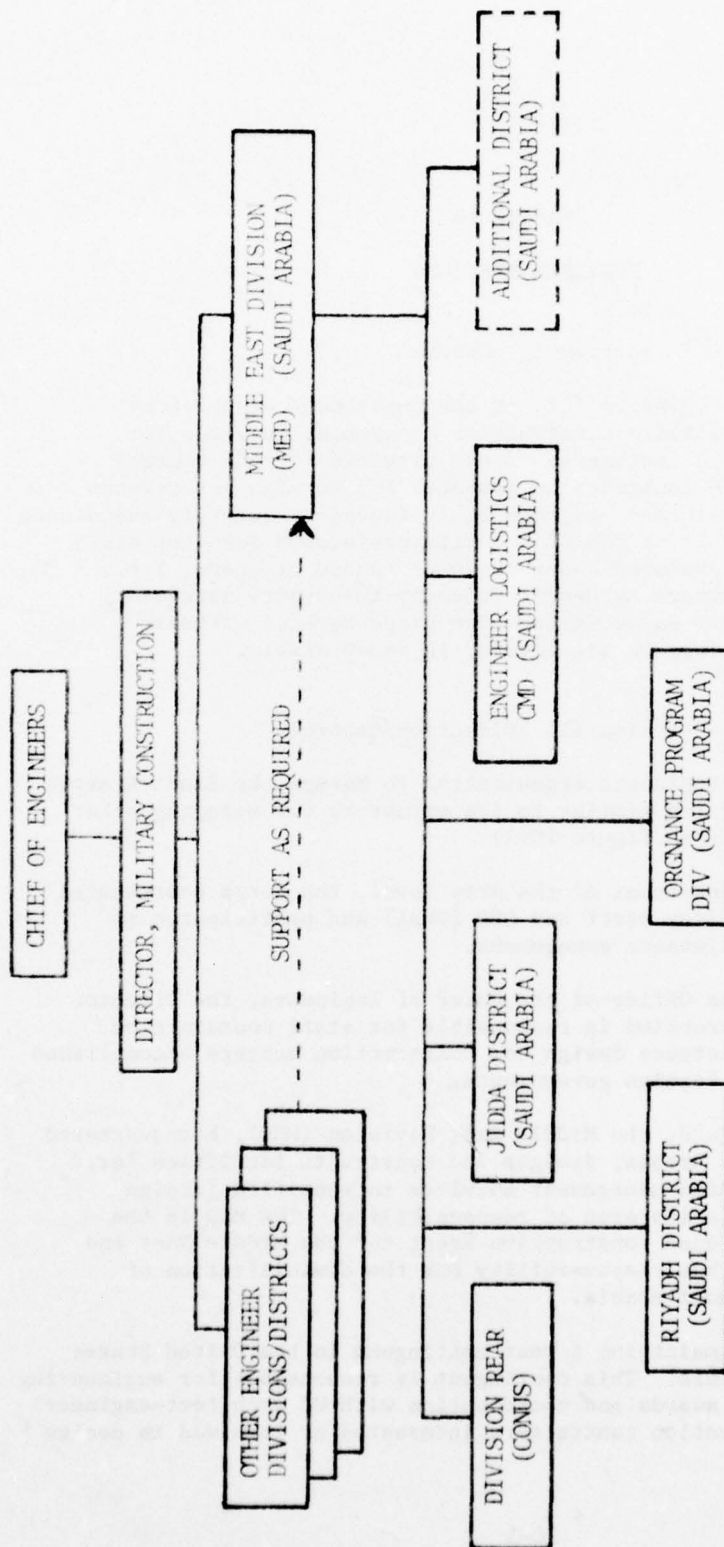


Figure 10-1. Corps of Engineers security assistance structure.

and construction of Saudi projects. This organization permits closer liaison with the US architect-engineer and construction industries and helps reduce the number of US personnel assigned to overseas locations.

(2) MED has two operating districts, one headquartered in Riyadh and the other located in Jidda. A third district may be formed to oversee the expanding workload.

(3) The Engineer Logistics Command, also located in Saudi Arabia, is responsible for the large logistics effort required by the Saudi Arabian construction program. This element also manages the support program for Corps personnel stationed in Saudi Arabia.

(4) The Ordnance Program Division, another field office of the MED, is organized and structured to manage US responsibilities in the Saudi Ordnance Corps Program.

(5) The total FY 77 manpower authorization for the MED was 965 personnel.

### Section III. Current Procedures

3. Background. The association of the Corps of Engineers with projects in Saudi Arabia started in 1951 with construction of the Dhahran military airfield, using US funds. Additional US funded projects followed, of which the most notable was the Dhahran Civil Air Terminal located on the same airfield. This structure, completed in 1961, was financed with US AID funds. At the request of the Department of State, the Corps undertook the construction of a country-wide black and white television system, as well as the training of Saudi Arabian nationals to operate it. An exchange of notes in December 1963 and January 1964 between the American Embassy at Jidda and the Saudi Arabian Ministry of Foreign Affairs formally ratified the agreement for this work. Construction of the system commenced in 1964 and was completed in 1971 at a cost of approximately \$28 million. The TV agreement was amended to provide a Radio Studio complex in Riyadh. This facility was designed, constructed, and equipped from 1967-1974 at a cost of \$14.5 million. All costs for the TV system and radio studio complex were paid by Saudi Arabia. Following these early projects, the Government of Saudi Arabia requested that the US Government make available the services of the Corps to accomplish certain other programs which the Saudis wished to undertake using their own funds. The US Government agreed to this proposal and the terms of agreement for such programs were defined in a series of formal government-to-government agreements.



4. Current Involvement. The CE is presently involved in four approved programs in Saudi Arabia. The total cost of projects which have been approved by the U.S. Government is \$8.6 billion. These programs have the potential to increase in value to approximately \$28.1 billion with approval of other projects presently being planned. The Saudi Government funds the total cost of all programs. The four programs are broadly categorized as: The "Engineer Assistance Agreement Program" (EAA); The "Saudi Ordnance Corps Program" (SOCP); The "Saudi Naval Expansion Program" (SNEP); and The "Saudi Arabia National Guard Program" (SANG). Completion of these programs will require Corps presence in Saudi Arabia until 1985 or longer. The Engineer Assistance Agreement Program was initiated by request from the Department of State based on a country-to-country agreement. The other three programs are being accomplished on a "Dependable Undertaking" basis under the US Foreign Military Sales Act of 1968 and are based on Memorandums of Understanding (MOU's).

a. Saudi Arabia Engineer Assistance Program (EAA). In response to an official request from the Saudi Arabian Government (SAG), the US Government agreed to provide advice and assistance in connection with Saudi plans for construction of certain military facilities. On 12 August 1964, The Department of State requested the Corps to provide the necessary engineering and construction management services. The terms of the Corps assistance were incorporated in an agreement, dated 24 May and 5 June 1965, resulting from an exchange of diplomatic notes between the two governments. The agreement, commonly known as the Engineer Assistance Agreement, provided for the US Government to furnish complete engineering and construction services in connection with certain facilities for the military forces of Saudi Arabia. The agreement further provided that the Saudi Government would bear the entire cost of this work by depositing US dollars in the Chase Manhattan Bank to the account of the Corps in the form of an irrevocable letter of credit. This program involves design and construction of two, one brigade-size (7,500 troops) military cantonments, a three brigade-size military cantonment and other projects for the Ministry of Defense. The first cantonment at Khamis Mushayt, near the Yemen border, was completed in 1971 at a cost of \$82.3 million. The second cantonment, initially completed in 1973 at a cost of about \$76 million, is located in Tabuk, just south of the Jordanian border. The third cantonment, which was resited at Al Batin, south of the Kuwait border, is being planned and is expected to cost approximately \$6.8 billion. Construction of this cantonment, known as King Khalid Military City, is expected to extend through FY 1984. Other projects, totaling over \$18.1 billion, include an executive office building and operations center, officers club complex, military academy, four military schools, hospitals

and medical support facilities, air force headquarters, an air force academy and airfield, two port facilities, additions to two existing cantonments, rebuilding the flood damage which occurred in April 1975, and improvement of the existing water system facilities at Jidda.

b. Saudi Ordnance Corps Program (SOCP). The SOCP is the successor program to the Saudi Arabian Mobility Program (SAMP) which officially came to an end in November 1972 with the completion of the contract for the implementation and operation of the logistics system for the Saudi Arabian Army Ordnance Corps. The SAMP covered a 5 1/2 year period with a total CE program value of \$97.8 million. Continuation of the program since November 1972 for modernization of the Saudi Army vehicle fleet, limited weapons maintenance and establishment of a modern logistics system is termed Saudi Ordnance Corps Program (SOCP). The SOCP is presently in the second of two phases, i.e., November 1972-November 1974 and November 1974 to November 1977. Total programmed amount for SOCP is \$316.0 million for the period of 26 November 1972 - 25 November 1977. SOCP is expanding because of mechanization of two Saudi Army infantry brigades and expansion of the logistics system to the Saudi Signal and Engineer Corps. Corps assistance in the design and construction of facilities associated with this expansion is anticipated, and a fund of \$1 million has been provided under an FMS case for such planning assistance through November 1977. In addition to in-country activities for SOCP, the CE is planning to design and construct facilities to support a Saudi Ordnance Corps training program of 1000 Saudi recruits over a 5 year period at Fort Gordon, Georgia. Value of these facilities is approximately \$10 million. FMS cases to provide funds for these training facilities are currently awaiting SAG acceptance and signature. The US Army Materiel and Readiness Command is the overall program manager for SOCP.

c. Saudi Naval Expansion Program (SNEP). At the request of the Saudi Arabian Government, a Memorandum of Understanding (MOU) providing for US assistance in developing a Saudi Navy was signed in January 1972. In May 1972, The Department of the Navy was designated executive agent by the Department of Defense and, as such, is the program manager for SNEP. The MOU also provides that the Corps of Engineers will manage the construction portion of the program. Corps action was initiated in September 1972 with an award for development of a master plan which was completed in August 1973. The Corps' portion of this program is estimated at \$2.1 billion. The program will provide deep water port facilities at Jubail on the Persian Gulf and at Jidda on the Red Sea for the Royal Saudi Naval Forces. Included are facilities for ship docking and repair; fuel storage; base maintenance shops; training, housing, messing, and recreation facilities for personnel; and a Saudi Navy headquarters complex in Riyadh. Complete design

and construction under this program will require Corps participation through 1980. Construction contracts for projects with project cost estimates (PCEs) of nearly \$1.2 billion have been awarded for facilities at Jidda and Jubail as well as one for \$28.9 million for the Headquarters Complex in Riyadh.

d. Saudi Arabia National Guard (SANG) Program. In March 1973, an MOU between the United States and Saudi Arabia, which commits the U.S. to assist Saudi Arabia in a program to modernize the SANG, was signed. The Corps is responsible for planning, supervising and execution of all engineering activities associated with design and construction of facilities. This program includes: (1) design and construction of a headquarters complex to be located at Riyadh; (2) a modernization program which includes sale of equipment, design and construction of facilities, and development and initial operation of training, communications, logistics and maintenance systems; and (3) a vehicle management program consisting of maintenance facilities. The CWE of the headquarters complex construction contract, which was awarded in July 1976, is \$245.6 million while the total value for design and construction of facilities for the SANG vehicle management program is yet to be determined. The SANG Modernization Program is assigned to the US Army Materiel Development and Readiness Command (DARCOM), which provides a project manager. Design and construction have been initiated on cantonment facilities at Kashm Al An. Also proposed for this program is a communications network. A draft of a communications sales case study was submitted to DARCOM for preparation of a Letter of Acceptance for presentation to the SANG. The Corps of Engineers' portion consists of construction engineering study and detailed plans for facilities to accommodate fixed communication equipment at 18 separate locations in Saudi Arabia. The construction cost estimate is not available for this project. A project valued at \$24 million for the planning and design of SANG military cities at Al Qasim and Al Hofuf has been approved by the US Government and presented to SANG for acceptance.

e. Processing of Engineer Assistance Agreement and Foreign Military Sales Cases. Flow process charts depicting the procedures employed for approval of EAA and FMS cases valued at both above and below \$25 million are illustrated in Figures 10-2 and 10-3.

f. Proposed Procedures. New procedures for processing and approving projects and an annual case to cover CE expenses have been submitted through HQDA staff to DSAA. These procedures are outlined in Figure 10-4. Implementation of these procedures would require modified legal interpretation of the Engineer Assistance Agreement by DOD.

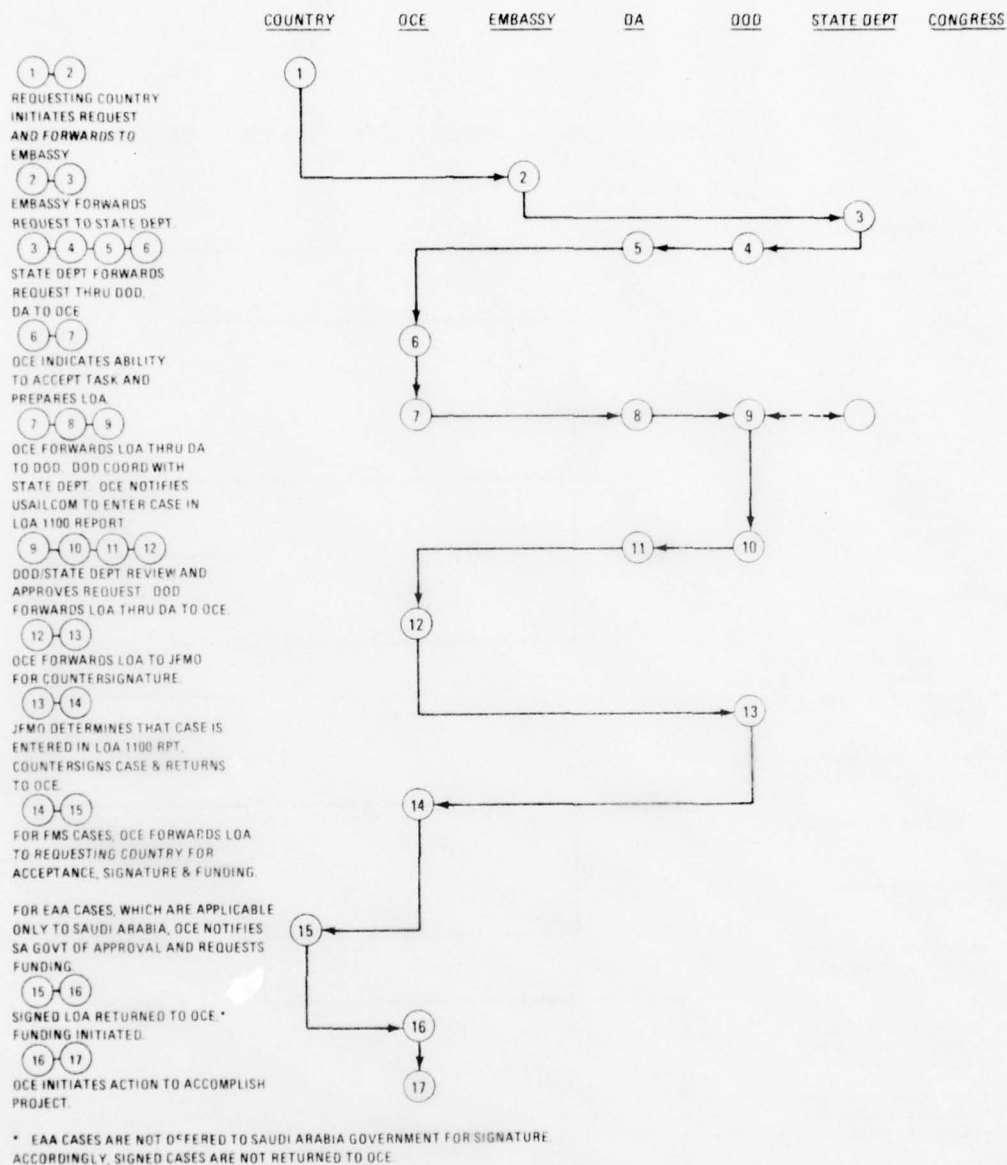
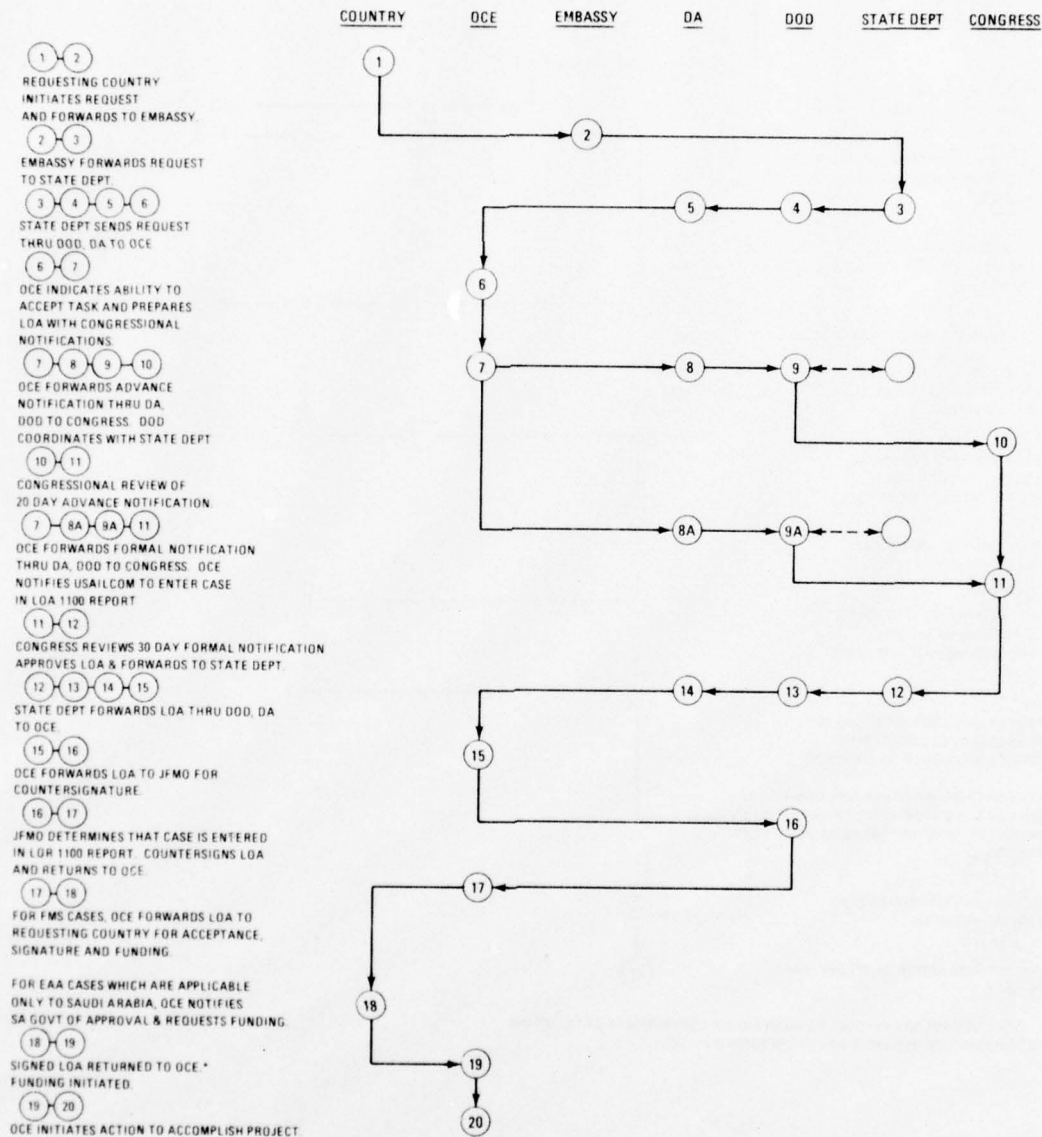


Figure 10-2. Request for letter of offer and assistance projects costing less than \$25 million





\* EAA CASES ARE NOT OFFERED TO SAUDI ARABIA GOVERNMENT FOR SIGNATURE. ACCORDINGLY, SIGNED CASES ARE NOT RETURNED TO OCE.

Figure 10-3. Request for letter of offer and acceptance projects costing over \$25 million.

#### Section IV. Analysis of Current Performance

##### 5. FMS Procedures. Use of DD Form 1513 or Equivalent.

a. The Corps of Engineers employs standard Foreign Military Sales procedures in three (SNEP, SANG and SOCP) of its four active Saudi Arabian programs. An element other than the Corps is the designated program manager for two of these programs, i.e., Navy for SNEP and DARCOM for SANG. The Corps is the manager for the fourth, the Engineer Assistance Program, the largest and longest ranging of the Saudi programs. Procedures utilized in the latter program do not follow FMS procedures, but rather the practices established in the Engineer Assistance Agreement (EAA) of 1965, extended to 1978.

b. Unlike FMS procedures, which require a formally signed DD Form 1513, Letter of Offer and Acceptance, EAA projects utilize only "dummy" cases which do not require a formal (signed) acceptance by the Saudi Arabian Government. These "dummy" cases are used only as vehicles to obtain approval/acceptance of projects by OSD/State Department and release by the Congress, when required.

c. Under EAA procedures the Corps' method of operation is delineated as well as the status of forces provisions applicable to the Corps presence in Saudi Arabia. Since September 1975, all work to be accomplished is reviewed under the provisions of the Arms Control and Export Act. This results in work being charged to foreign military sales at the total dollar value of the finished facilities and distorts the FMS picture. Efforts to put the EAA work under FMS procedures have been rejected by the Saudi Arabia Government, i.e., the SAG will not sign the LOA and the Corps processes the EAA projects as FMS "dummy" cases. The Saudi Arabia Government position is that this necessitates the renegotiation of the EAA. The EAA will require extension in May 1978. Any renegotiation should be undertaken in conjunction with this extension. However, in event of renegotiation, Corps' personnel could lose some of their preferential (quasi diplomatic) status.

d. The Corps has been able to carry out its responsibilities, i.e., management of all Saudi construction programs, under both systems (FMS and EAA). However, administrative effort dictated by FMS procedures generate a heavier workload than those imposed by the EAA projects. The solidly persistent refusal of the Saudis to permit change of EAA project procedures to FMS procedures is also indicative of customer dissatisfaction with the latter procedures.

e. The Corps has recently proposed the preparation of a single annual case to cover Corps expenses for presentation to the Congress in lieu of individual project cases for approval by OSD/State Department or the Congress (See Figure 10-4). This single case, which would include design costs, would present a more factual monetary picture to the Congress and the public. Under this concept Congress would be notified of the end product of the Corps' service. Under the present procedures, the total value of each (project) is presented and an erroneous impression as to the actual value in terms of favorable gold flow and US involvement is developed. Approval of the proposal for the presentation of a single annual case would also simplify both administrative and management procedures and expedite program review and approval by cognizant authorities.

6. Corps Procedures and the Arab Boycott.

The Corps is frequently criticized for aiding the Arab boycott and for its procedures which permit Saudi Arabia review of Architect-Engineer selection lists and construction bidders lists. The Corps position is that the Saudi Arabia Government exercises the same approval authority as that exercised by ASA(I&L) and ASD(I&L) with regard to source selection. This approval authority is delineated in the EAA. Contract procedures are in accordance with procedures used by the Corps in the execution of its civil functions. Since the Saudi Arabia Government reimburses all work performed and underwrites (indemnifies) the Corps, the General Accounting Office (GAO) has no jurisdiction in disputes and claims. The Corps considers the procedures established in the EAA adequate.

7. Should Corps of Engineer Services Be Made Available Under Foreign Military Sales Procedures?

a. The construction management services of the Corps of Engineers are a commercially available resource. The Ministry of Defense and Aviation of Saudi Arabia currently accomplishes construction requirements by three disparate means: (1) By the Corps of Engineers; (2) directly through a construction manager - Bechtel Corporation and Frank Basil are examples; and (3) through direct turnkey contract - Hochtief's Riyadh Hospital and Jiddah Airport are examples. When the management services of the Corps are employed, the projects achieve a high level of visibility through the Commerce Business Daily and congressional review of Foreign Military Sales. Some sectors of US industry and commerce have articulated impressions that the Corps is in competition with the commercial establishment. Other US governmental agencies are also currently engaged in the management of Saudi Arabian projects, e.g., Department of Labor for trade schools using the GSA and the Department of Public Works. Both of these organizations are accomplishing their projects under the surveillance of the Joint Economic Commission.

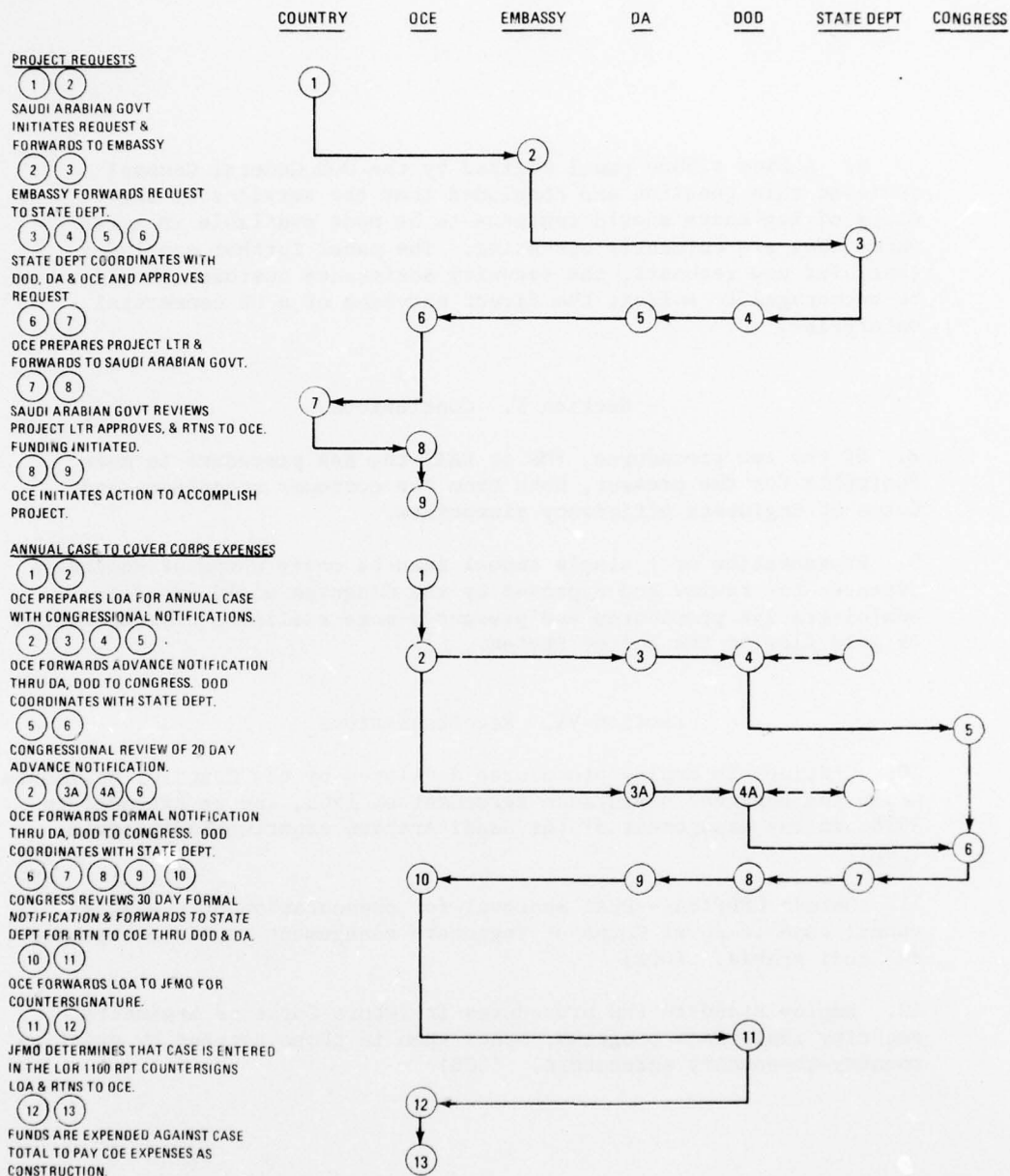


Figure 10-4. Request for letter of offer and assistance proposed procedures.



b. A blue ribbon panel chaired by the DOD General Counsel reviewed this question and concluded that the services of the Corps of Engineers should continue to be made available in areas where they are currently operating. The panel further concluded that, for new requests, the security assistance customer should be encouraged to solicit the direct services of a US commercial enterprise.

#### Section V. Conclusions

8. Of the two procedures, FMS or EAA, the EAA procedure is more desirable for the present, both from the customer acceptance and Corps of Engineers efficiency viewpoints.

9. Presentation of a single annual case to cover Corps of Engineers expenses for review and approval by the Congress would expedite administrative procedures and present a more realistic representation of gold flow to the United States.

#### Section VI. Recommendations

10. Continue to employ procedures developed by the Corps of Engineers under the Engineer Assistance Agreement of 1965, and as extended to 1978, in the management of the Saudi Arabian construction program. (COE)

11. Obtain OSD/ISA - DSAA approval for presentation of a single annual case to cover Corps of Engineers management services expenses in Saudi Arabia. (COE)

12. Employ standard FMS procedures in future Corps of Engineers security assistance programs, other than in those covered by existing country-to-country agreements. (COE)

## CHAPTER 11

### COMMUNICATIONS SERVICES

#### Section I. General

1. All US Army non-tactical communications services, systems and equipment that are purchased by or provided to friendly (eligible) foreign governments is accomplished under the supervision and management of the US Army Communications Command (USACC). The USACC, a Major Army Command (MACOM), receives guidance, direction, fund allocations and personnel authorizations directly from Headquarters, Department of the Army (HQDA) and the DA Staff. A worldwide Army Command, the USACC has major subordinate commands located in the Pacific, Europe and at sites within CONUS. The Headquarters, USACC is located at Fort Huachuca, Arizona.

2. The current USACC Security Assistance Program, consisting of both MAP and FMS involvement in all appropriations for all fiscal program years, has an annual dollar value of approximately 8 million with existing projects and cases spanning a minimum of six out years. FMS cases offering complete communications systems that have been tendered, but not yet returned approximate over 900 million dollars in value and span eight to ten years.

#### Section II. Control/Direction

3. Until fairly recently, the USACC's performing activities received MAP and FMS taskings from a number of sources which included organizations outside the command. This situation caused considerable concern within the command because, while the taskings originated outside the command, the necessary resources required to accomplish those projects had to come from within. Many of the resources programmed and budgeted for regular mission requirements were, in fact, diverted to accomplish unprogrammed MAP and FMS requirements.

4. With the growth of communications requirements in the Security Assistance Program, recognition of the USACC as a field participant has been realized. USACC now has the capability to develop and execute FMS cases. The communications requirements of any security assistance program can be provided with minimal dependence on non-USACC related segments of the Army. Complete responsibility for executing the Army's Security Assistance Program pertaining to non-tactical communications equipment and services is vested in HQ, USACC (See Figure 11-1, for the security assistance structure.)

5. The USACC does not have a consolidated International Logistics (IL) Directorate or TDA recognized organization devoted to management of the IL program. The IL management currently being performed is accomplished by the following USACC elements:

- a. The Office of the Deputy Chief of Staff for Operations (DCSOPS)
- b. The Office of the Comptroller (COMPT).
- c. The remainder of the HQ staff operates in a supporting role.
- d. The following USACC subordinate commands/activities are the actual performing activities:
  - (1) US Army Communications Systems Agency (USACSA - Fort Monmouth, NJ).
  - (2) 5th Signal Command (Worms, Germany).
  - (3) US Army Commercial Communications Office (USARCCO) - Fort Huachuca, AZ).
- e. The US Army Communications-Electronics Engineering Installation Agency (USACEEIA), with its Headquarters at Fort Huachuca, and subordinate activities throughout the world, performs in support of the performing activities listed above.

### Section III. Current Procedures

6. The procedures under which the communications portion of the Army's Security Assistance Program operate have recently been developed. They are patterned after the DSAA implementing instruction with modifications to accommodate guidance/direction from the DA staff and unique USACC requirements. Under the procedures currently being implemented, the notification of a potential FMS case will flow directly to the USACC-DCSOPS from DA (level Security Assistance Office (Executive Agent)). A site survey, if necessary, will be performed, contractor bids collected and the FMS case will be prepared and signed by authorized personnel in the USACC. The case will be forwarded to the USACC-COMPT for extraction of financial information to be utilized in preparation of forecasting data. A copy of the case will then be forwarded where the centralized Army security assistance data base will be updated. The accepted case will be returned in accordance with distribution as stated on the case. The original copy is then returned to USACC-DCSOPS.

7. Monetary values, geographic distribution and USACC manpower involvement in the security assistance program are presented in Figure 11-5.

<u>COUNTRY</u>	<u>NO. OF PROJECTS</u>	<u>DOLLAR AMOUNT (\$000)</u>
FMS		
Iran	5	\$ 6,139.0
Saudi Arabia	4	918,550.0
Spain	1	31,250.0
Jordan	1	15.0
Austria	1	.5
Germany	1	5.0
TOTAL FMS		\$ 955,959.5
MAP		
Spain		\$ 1,484.0
Philippines		2,435.9
Indonesia		<u>3,681.0</u>
TOTAL MAP		\$ 7,600.9
GRAND TOTAL		<u>\$ 963,560.4</u>

<u>ORGANIZATION</u>	<u>AUTH (TDA)</u>	<u>ACTUAL M/Y PERF</u>
HQ USACC	0	5
5th Signal Command	59	61
USACSA	7	9
USACEEIA	0	5
USARCCO/HQFH	<u>0</u>	<u>1</u>
TOTAL	66	81

Figure 11-5. Scope of USACC security assistance program.



#### Section IV. Analysis of Current Performance

8. Current management procedures are considered adequate at all levels of the USACC. However, because most of these procedures are just now being implemented, a definitive evaluation of current performance cannot be made at this time.

#### Section V. Conclusions

9. Execution of the USACC FMS and MAP programs should continue to be monitored from HQ USACC under a centralized concept. (All Army security assistance involvement relative to nontactical communications equipment systems and services is the responsibility of the USACC.)

10. To facilitate program definition and coordination it is essential that personnel possessing communications expertise be collocated with the DA agency responsible for program administration and management.

#### Section VI. Recommendations

11. USACC personnel possessing the necessary communications expertise be collocated with the DA Executive Agent for Security Assistance.

## CHAPTER 12

### THE ADJUTANT GENERAL SERVICES

#### Section I. General

1. The Adjutant General's participation in the security assistance program relates exclusively to the issuance and sale of releasable Department of the Army publications to eligible foreign governments. In keeping with the overall acceleration of FMS, the number of TAG cases and their monetary value has increased significantly over the last four years. This growth relationship can be attributed to the fact that the demand for publication is largely derivative of the sale of Major Defense Equipment and other materiel.
2. Organizationally there is no unique apparatus to accommodate security assistance requirements. They are simply absorbed in the regular publications structure. Neither are there any customer-peculiar requirements, e.g., translation or development of country publications. In the main, the program operates the same as normal troop support except for modes of transportation and that it is conducted on a reimbursable basis.

#### Section II. Controls

3. Army publications are managed in accordance with AR 310-2. The specific procedures for Grant Aid and FMS are contained in Chapter III, Section VII of this regulation and are applicable to all security assistance cases. The only restrictive measure of these provisions is in the handling of requests for classified publications which must be pre-processed by Assistant Chief of Staff for Intelligence to determine releasability.
4. In broader terms, publications also fall under the purview of the Federal Printing Program. This program is very rigidly controlled by the Joint Committee on Printing and its Government Printing and Binding Regulation.

#### Section III. Current Procedures

5. Letters of Offer. Prior to the beginning of each fiscal year, The Adjutant General prepares a Blanket Open-End Letter of Offer (DD Form 1513) that is sent to the appropriate military representative of each eligible foreign government located in Washington, D.C. or to any other specifically designated office. This letter

conveys a proposal to furnish Army publications for a period of one fiscal year and states the terms and provisions under which they may be purchased.

6. Case Implementation. Accepted cases, with check, are returned by the foreign customer to the Security Assistance Account Center (SAAC) in Denver for necessary Trust Fund Administration. Advice and sales obligation authority is then passed to USAILCOM where program control is initiated. Upon completion of these actions, TAG is authorized to implement the case.

7. Methods of Distribution. The two basic means by which publications are furnished are the initial distribution system and the standard requisitioning process.

a. Initial distribution is an automatic release of selected series of publication that the foreign customer subscribes to through use of the DA 12 Forms. It covers new and revised publications as well as changes to existing publications.

b. Requisitioning is a demand type process that is used to obtain publications not on automatic distribution and to receive replacement or additional copies of initial distribution publications. The DA Form 17 is the vehicle by which publications are requisitioned.

8. Processing requirements. Requisitions are submitted to the Publication Director of the Adjutant Generals Center where they are reviewed and routed to the appropriate publications center (USAAGPC, Baltimore, MD, for all administration publications and USAAGPC, St. Louis, MO, for technical and supply publications). Requisitions are prepared for a single category of publication (administrative or supply). However, they frequently contain both and require rework before release to the centers.

After making initial distribution or taking full action on a requisition, an itemized list is transmitted to the Finance and Accounting Office, Military District of Washington (MDW F&AO). MDW F&AO then prices out shipments, establishes the required accounts receivables, and generates a delivery/ billing transaction to USAILCOM (NCAD). USAILCOM posts the CISIL Master Program Data Record and formats the delivery/billing transaction for submission to SAAC where reimbursement is made from the trust fund to the Army.

Grant Aid requirements are handled in a similar manner except the requisition is received and controlled by USAILCOM (NCAD).

9. Pricing. The Arms Export Control Act of 1976 mandated the recovery of all costs related to a FMS. Army pricing of publications has been based on a fixed-cost by category of materiel, e.g., Modification Work Orders (MWO), Army Regulations (AR), Supply Bulletins, (SB), or Technical Manuals (TM), and regardless of size or content, are sold for a fixed price (MWOs \$0.25, ARs \$0.75, SBs \$0.75 and TMs \$1.50). These prices were set in 1968 and by no means begin to cover current costs or all categories of cost. When DODI 2140.1 "Pricing of Sales of Defense Articles and Defense Services to Foreign Countries and International Organizations" was issued on 9 March 1977, the publications pricing section of this publication was still under development. Foreign customers were advised in the notes section of their FY 1978 1513s to expect a revised pricing schedule. Customers are now being informed by message that a new structure has been approved and will be implemented in January 1978.

#### Section IV. Analysis of Current Performance

10. A significant portion of the program functions well. Areas that require improvement, are discussed below.

11. Case implementation. The original and two copies of all signed (accepted) sales cases are returned to the Adjutant General in accordance with the procedures contained in the 1513. Still, these approved cases cannot be acted upon until they are placed under program control and implementation with sales obligation authority is directed. While program control is a function of USAILCOM, management (implementation) for publications is a responsibility of TAG.

There are no codified procedures to ensure that the proper documentation is actioned to the correct agency or in a timely manner. This is part of a larger weakness relative to interfaces with non-DARCOM, non-materiel oriented cases.

12. Billing. Under the current process for filling requisitions, publications are pulled, packed, and shipped by the TAG center well in advance of the shipment being costed-out by the MDW F&AO. This form of post-pricing can lead to over-delivering a case. Instances have been encountered where a single requisition has exceeded the entire country case by as much as 500 percent. Occurrences of this nature will take on greater significance under the new pricing scheme, especially until a country can compensate for the revision. Considerable difficulty has been experienced in the preparation and processing of delivery/billing transactions. Tremendous quantities of publications have been shipped but are unbilled. As of 1 September 1977, there was no evidence that even a single FY 77 bill had



been processed through the system. In addition to being a less than acceptable method of doing business, the impact on case closure is obvious. This situation has been examined in detail by the Internal Review and Audit Division of the TAG Comptroller. Several findings and recommendations for improved control (not just financial management) of FMS are under consideration.

13. Implementation of Revised Pricing. While a price revision is long overdue, its planning and execution will be extremely difficult. Pricing components include acquisition costs (technical and administrative writing, editing, illustrations) copy production costs, special costs, and other costs such as accessorial or asset use charges. Pricing administrative costs will be as difficult as price determination and should be computer supported.

14. Case closure (final accounting). In that publication agreements (1513's) are written to cover a single Fiscal Year, most cases should be ready for closure shortly after the end of the specified period. There were approximately 115 publication cases prepared for FY 1977. The Master Data Records of USAILCOM reflect that there are over 300 open publication cases. In gross terms this would represent three Fiscal Years. In addition to the previous discussion on the impact that unbilled shipments has on case close out, the situation is further aggravated by the number and lack of control over back-orders which represent unshipped and unbilled requirements.

#### Section V. Findings/Conclusions

15. Better pre-implementation procedures and control developed for non-DARCOM, nonmateriel oriented cases are needed.

16. There are a tremendous number of due bills that have not been processed to the SAAC for reimbursement.

17. Control of FMS cases must be improved and should be centralized at one activity within TAGCEN.

18. The new pricing policy will have significant impact on the overall sale of publications and will require the development of more sophisticated pricing and costing mechanisms.

19. Back orders severely impair closeout of prior year cases.

20. Cases are not being closed out for two or three years after termination of the period for which written.

#### Section VI. Recommendations

21. Revamp and improve DARCOM procedures for interfacing with non-DARCOM commands and activities on case implementation, control of deligation authority, billing, and master data record keeping. (DARCOM)
22. Process publications delivery billing transactions upon presentation. (MDW)
23. Modify management and case control procedures to provide better program management. (TAG w/DARCOM)
24. Price out publication orders prior to presentation to MDW F&AO. This function should be computer supported. (TAG)
25. Service requisitions on a fill or bill basis and notify customers to reorder at a specified availability date. (TAG)
26. Initiate action to close out FY 77 and prior fiscal year cases. (TAG)

## CHAPTER 13

### PERSONNEL

#### Section I - General

1. Purpose. This chapter examines personnel aspects of security assistance (SA). It outlines the level of manpower effort devoted to the program, addresses specific areas that require management attention, and offers appropriate recommendations.
2. Scope. For the purposes of this chapter, security assistance manpower includes all US Army military and civilian personnel involved in:
  - a. Field representation elements (DFOs/ODCs/MILGPs).
  - b. SA staff activities (OSD, OJCS, HQDA, Unified Commands, MACOMs).
  - c. Attache activities performing SA related duties.
  - d. International logistics.
  - e. Foreign military training.

#### Section II - Security Assistance Manpower Accounting

3. The 1975 Army Security Assistance Study noted that, "Efficient management of security assistance resources necessitates that the Army know the level of effort required to support each function, the current level of effort, and then determine requirements from this information." The 1975 study concluded that a manpower accounting system was required to determine the full manpower effort devoted to security assistance, but that even with a system it might not be possible to accurately ascertain the full manpower effort devoted to security assistance.
4. As a result of the 1975 study, ODCSOPS developed and implemented a manpower accounting system in support of security assistance. The accounting system was designed to summarize data reported by DA staff agencies, MACOMs, and other activities involved in security assistance. It identified the Army's FY76 level of effort dedicated to security assistance and has since been standardized as a quarterly report requirement. The 1st Qtr FY77 report is reflected in Figure 13-1. A comparison of the 1st Qtr FY77 report with FY76 data follows:

MACOM	SA MANPOWER (SPACES)		SA MAN YEARS (FULL TIME)		SA MAN YEARS (PART TIME)		TOTAL MAN YEARS	
	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CIV
HSC	2	-	-	-	-	-	-	-
DARCOM	107	1929	24	429	8	533	32	962
TRADOC	90	481	22	118	69	31	91	149
USAREUR	345	315	65	71	-	-	65	71
FORSCOM	-	2	-	1	7	1	7	2
ACC	70	24	17	6	1	1	18	7
EUSA	28	4	5	1	-	-	5	1
MAAGS & Other JT Acct	791	428	194	105	-	-	194	105
Other Cmd & Agencies	70	866	17	174	-	-	17	174
HQDA	37	59	9	15	3	4	12	19
TOTAL	1540	4106	353	920	88	570	441	1490

LEGEND:  
 SA Manpower - Security Assistance Manpower, Full-Time (90% of Work Time or Higher)  
 SA Man Years - Security Assistance Man Years

Figure 13-1. 1st quarter FY 1977 security assistance manpower data.



	<u>FY76</u>	<u>1st Qtr FY77</u>
Military	1780	1540
Civilian	<u>3565</u>	<u>4106</u>
Total Security Assistance Spaces	5345	5646

5. The accounting system is relatively new and is being refined as ODCSOPS and reporting agencies improve accuracy through experience with reporting criteria and procedures. Although the system is subject to further refinement, the first summaries allow for some analysis. For example, the total number of spaces reported as being involved in security assistance shows a slight overall increase (301 spaces) from FY76 to FY77, but with a concomitant decline of 240 military spaces. Additionally, the respective totals are considerably less than the forecast of over 6,000 that was reported in the 1975 study as the expected 1976 level for Foreign Military Sales (FMS).

6. Army and the other services have been criticized by the General Accounting Office (GAO) for not being able to accurately reflect the total number of personnel devoted to foreign military sales. GAO has recommended that DOD institute a standard personnel accounting system for FMS, with uniform guidelines and criteria. The GAO research was completed about the time the ODCSOPS reporting system was being implemented, and GAO used, as Army data, the estimates of activity portrayed in the 1975 study.

7. The GAO report does, however, point out a weakness in the Army report system. The Army Security Assistance Manpower Report does not indicate the level of manpower by category within security assistance. It does not, for example, identify the number of personnel working in FMS. Although FMS accounts for the vast majority of personnel in security assistance, the overall program includes other categories such as Grant Aid and International Military Education and Training (IMET). If the Army accounting system included provision for reporting by categories, the system could be used in lieu of separate budget calls for reimbursement from the FMS administrative fund and could be adjusted with minimum difficulty to meet any future DOD reporting requirements.

### Section III - Security Assistance Manpower/Endstrength Issue

8. Manpower expended in support of security assistance is done so at the expense of operating strengths of Army units/activities. In other words, security assistance missions have been assumed over

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THE ARMY SECURITY ASSISTANCE PROGRAM STUDY REPORT (TASAPS - 77)--ETC(U)  
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the years without compensatory increases to endstrength. The possibility of requesting additional personnel authorizations or of requesting an exemption for the numbers involved to offset the effort dedicated to security assistance, have been issues since the Navy proposed legislation in 1975 to exempt security assistance personnel from service endstrengths.

9. The Army did not support the Navy's 1975 proposal with regard to military manpower, noting that an exemption would subject the military numbers to direct Congressional control and severely complicate military personnel management. The Army did not oppose an exemption for civilian personnel. However, there was a lack of support for such action because security assistance legislation was interpreted by the Army as requiring conduct of the program within Congressionally assigned endstrength ceilings.

10. A request to increase either the military or civilian endstrength does not appear feasible except through the mechanism of requesting an exemption for military and civilian spaces as was suggested by Congress, but turned down by DOD this past year. Only two categories of exemption (Civil Works and Statutory Tours) for the military have been authorized by Congress. In the past, the principal reason for not wanting to request exemption for military spaces has been that it would place them in a separate category and subject them to direct Congressional control, and loss of flexibility. This argument does not appear to be valid since Congress already controls grade limitation and ceiling strengths whereas should Congress grant the exception, the Army would, in fact, gain the spaces which it needs.

11. A request for exemption of security assistance manpower spaces appears to be worthy of consideration. Manpower devoted to security assistance is dependent on the size of the program. In addition, the limitation of funds in the setting of endstrength is offset for security assistance manpower since the manpower - that devoted to FMS - is required by law to be reimbursed from the FMS administrative fund. Since the Army receives dollar reimbursement for security assistance manpower, it would appear a logical conclusion to request exemption from ceiling limitations for these spaces. Exemption of over 4,000 personnel spaces would permit the Army to add that number to other mission activities, (Note: OSD is currently taking action to request exemption from ceiling strength of civilian personnel spaces which have devoted 90% or more time to FMS. OSD anticipates that if the request is approved, the precedent will facilitate approval of a subsequent request for exemption of military spaces.)

#### Section IV - Technical Assistance Field Teams

12. A Technical Assistance Field Team (TAFT) is a group of personnel employed to provide in-country technical instruction and assistance

to foreign forces on specific equipment, technology, weapons, and/or supporting systems for an extended duration and purpose which cannot be satisfied by mobile training teams, foreign military training programs, technical assistance teams, or commercial contracts. TAFTs are provided as defense services under FMS by means of DD Form 1513 (Offer and Acceptance).

13. Until recently, the only TAFT involving Army personnel was in Iran. Dispatched in mid-1973 for a one-year duration, the case has been renegotiated on an annual basis, with its TDA composition changed from year to year to meet changing requirements for expertise needed in-country. Currently, there are 90 TAFT-Iran Army personnel. Accounting and support for TAFT-Iran are provided by USAREUR.

14. With the Congressionally mandated reduction and realignment of Defense field security assistance activities, it is expected that TAFTs will become more and more popular as devices to obtain US assistance and services in the future - particularly among those countries able to afford the costs of such teams. Saudi Arabia has already requested a TAFT as a follow-on to a mobile training team, and at the time TASAPS 77 began, requests for TAFTs for Saudi Arabia and Kuwait were being processed.

15. The Army receives adequate reimbursement for the salaries and expenses of TAFT members. In many cases, however, the specialties being requested are those which are already critically short to the Army, e.g., I-Hawk. TAFTs range in size from 4 to 90 personnel. Notwithstanding their small size, the spectre of a steady increase in the number of teams, together with the possibility of indefinite renewals of the FMS cases providing them, portends future commitments that could offset the decline in the numbers of military personnel in formal security assistance organizations, disrupt personnel management, and affect the training base and readiness of US units.

16. Experience with TAFT-Iran has shown that constant changes in skills and numbers of personnel by the client country often result in the signing of the LOA being delayed until the time it is to be effective. This prevents personnel managers from adequately forecasting requirements, making realistic plans, and designating and preparing personnel in an orderly fashion. While Iran may be an extreme example, the problem of adequate leadtime for TAFT manning has emerged as a matter requiring close monitoring during initial TAFT requirements planning.

17. LOAs for TAFTs are prepared by the DA staff under the provisions of AR 795-13 and processed as shown in Figure 13-2. The critical step in the process is the initial review. The review must include a careful analysis of each requirement. Where requirements impact



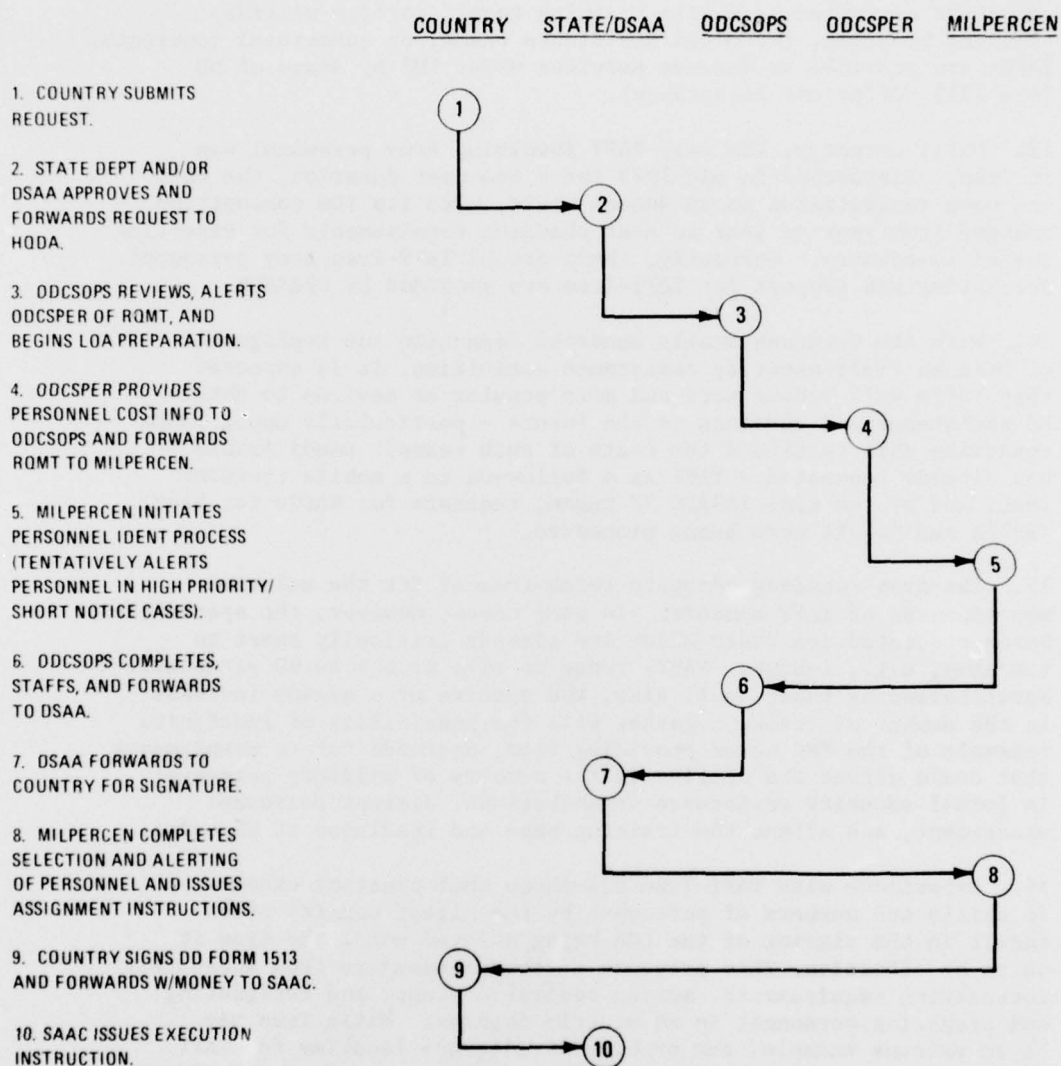


Figure 13-2. LOAs for TAFTs.

adversely on the US Army, the review must result in an expression of that impact and either a request for relief or a request for authority to pursue an alternate approach, e.g., contracting.

18. AR 795-13 contains general guidelines and responsibilities for TAFTs, but it does not include specifics on administration or accounting and billing for the teams, once the cases are signed. Since the cases are prepared by HQDA but executed at lower levels, the functions of administration, accounting, and billing should be addressed in detail in the AR to ensure full reimbursement for each team.

#### Section V - Civilian Career and Training Program in International Logistics

19. The establishment of a career development pattern for civilian personnel working in international logistics (IL) has been a topic of attention since it was suggested as a problem in the 1975 study on Army security assistance. That study cited the growth in the number of DA civilians involved in IL aspects of security assistance, and noted that the number of IL civilians had reached approximately 1500 in 1975 after the explosive growth of foreign military sales.

20. According to the data in the security assistance manpower report (Figure 13-1), there are now over 1900 DA civilian personnel spaces devoted full-time to IL in DARCOM. Adding those in other commands and in the HQDA staff brings the total to over 2000. Most of these personnel work in the Supply Management career field.

21. In FY76, the Director of International Logistics, HQ DARCOM, directed and sponsored a study to determine if a need existed for the establishment of an Army civilian career and training program in International Logistics. The study was performed by the Logistics Studies Office, US Army Logistics Management Center (ALMC) and completed in March 1977. Although the study found that almost 70% of a random sample of IL employees considered a separate IL career program desirable, it concluded that IL civilian employees would be better served by entering and remaining in established career programs because of employment opportunities available from a broader base of operations and experience.

22. The ALMC study concluded that the basic training requirements for a career in IL are present in already established civilian career programs and that only some special training (over and above basic training) is required to apply unique IL procedures. The study did determine, however, that IL employees should have an IL identity and that there is a requirement for an orderly and

cohesive program for career development in international logistics. The study offered the following recommendations:

a. No attempt be made to establish a separate civilian career program for IL.

b. Civilian personnel engaged in IL operations remain in the career programs in which they are entered or enter one in which they determine opportunities for development and progression would be enhanced.

c. A concerted effort be made to establish IL experience codes in existing civilian career programs which provide basic training for IL operations.

d. Special training be provided which would intermingle unique IL operations with basic experience obtained in existing civilian career programs.

e. A DA Civilian Personnel Regulation (CPR) in the 950 series be promulgated which will establish the policies, requirements, and procedures to assure that established DOD-wide and Army-wide career programs are responsive to the needs of the IL program and IL civilian personnel.

23. The fact that no special program exists for civilian personnel in IL inhibits professional development in what is an increasingly important part of the Army's logistical activities. With the IL aspects of security assistance influencing many Army management decisions, action is needed to ensure that qualified personnel are employed in international logistics.

24. The ALMC study recommendations are considered valid regarding recognition of special requirements for civilians in IL. If implemented, a program similar to that for employees in Project Management Offices (PMOs) could be established. The key positions in PMOs are staffed largely by individuals entered in established DA and DOD career programs who bring their skills and experience with them to applicable areas of project management. Their PMO identities and experience, as well as their established career program identifications, are both recognized and protected by a recently published CPR (950-2) on Civilian Staffing and Career Development in System Acquisition Management, and by inclusion of the proper codes for PMO employees in CPR 950-1 (Career Management). A similar system could easily be arranged for IL civilian employees.

## Section VI - Security Assistance Training

25. Security assistance training for US Army personnel is essentially the same as it was at the time of the 1975 Army Security Assistance Study. Principal Army security assistance courses are conducted at US Army Institute for Military Assistance (USAIMA) and the US Army Logistics Management Center (ALMC). These courses, to be phased out and replaced by defense courses as discussed in paragraphs 27, are as follows:

a. Defense International Logistics Management Course (DILMC). An 80-hour ALMC course designed to train personnel for duty in logistics - oriented security assistance positions.

b. Security Assistance Management Course (SAMC). A 3-week, 2-day USAIMA course to qualify selected officers (O5 and below) and NCOs to serve in security assistance positions.

c. Security Assistance Management Orientation Seminar (SAMOS). A two-week USAIMA program to qualify general officers and colonels for key security assistance positions.

26. Other Army security assistance training is as follows:

a. Army War College. Role of SA in national policy and strategy is included throughout the curriculum, and as a four-hour panel discussion.

b. US Army Command and General Staff College. Six hours on SA in the core curriculum plus a 40-hour SA elective.

c. Infantry Officers Advanced Course. One hour on SA and one hour on Military Assistance Program.

d. Quartermaster Officer Advanced Course. Three hours on International Logistics.

e. Transportation Officers Advanced Course. Six hours on Aviation Materiel Management Assistance for Allied Nations.

27. On 30 April 1977, the Deputy Secretary of Defense confirmed a previous decision which established the Defense Institute of Security Assistance Management (DISAM), with the Air Force as executive agent, at Wright-Patterson AFB, Ohio. Purpose of the DISAM is to consolidate and standardize security assistance courses for all services. By end FY77, DISAM will replace the Army's DILMC, SAM, and SAMCS courses. DISAM courses are:



a. Defense Security Assistance Management. Core (SAM-C):  
a 15-day basic course on security assistance.

b. Defense Security Assistance Management. Overseas (SAM-O):  
An 8-day course to prepare officers (O-4/O-5) for duty in DOD field  
elements (DFOs/ODCs/MILGPs).

c. Defense Security Assistance Management. Senior Officer  
Overseas (SAM-S): A 10-day course to qualify general officers and  
colonels for key SA positions.

d. Defense Security Assistance Management. Executives (SAM-E):  
A 5-day "export" course which will be tailored to local needs and  
presented on-site for requesting organizations.

28. SA training appears to be sufficient to meet Army needs, particularly as a result of incorporation of Army requirements in the Program of Instructions (POI) of the new DISAM courses. On the surface, there appears to be a lack of SA instruction in Officer Advanced Courses (OAC). Considering that OAC POIs are now focused on Company/Battalion operations, however, and given that officers generally enter the SA field at higher grades - for which DISAM courses are available - the lack of SA instruction in Army's advanced courses does not appear to be a cause for concern.

29. The topic of financial management of FMS is lacking in other than SA courses. It is not addressed in Army courses for finance officers or comptrollers, or in other Army or defense management courses. Financial management of FMS is now affecting, in some fashion, most major commands, agencies, and programs. As discussed elsewhere in this study, SA involves vast sums of money, is incredibly complex, and has become the source of major problems. Many of the problems may be traced to a lack of knowledge and understanding of financial management procedures for FMS on the part of finance, comptroller, and management personnel. SA peculiar procedures should be addressed in all future finance, comptroller, and management courses, to include an explanation of the overall system and detailed descriptions of accounting procedures, responsibilities at each level, appropriations involved, and reports required.

## Section VII. Findings and Conclusions

30. The Army Security Assistance Manpower Report is an essential tool for measuring the level of Army manpower devoted to security assistance and should continue to be refined. It should be modified to reflect manpower totals by categories in security

assistance, particularly FMS, and be adjusted as necessary to meet future requirements such as budget calls and DOD reports.

31. An increase in the endstrength, either military or civilian, to offset manpower now devoted to security assistance is not feasible. A request for exemption of security assistance manpower spaces is worthy of consideration because of the numbers involved.

32. Initial TAFT reviews must include a careful analysis of each requirement and should result in either a request for relief or authority to pursue alternate approaches when requirements cause an adverse impact on the US Army. AR 795-13 requires revision to include specific responsibilities and procedures for the administration, accounting, and billing for TAFTs.

33. A special program is needed for the identification and management of civilian employees in international logistics.

34. The financial management aspects of foreign military sales should be included in training courses for finance, comptroller and management personnel.

#### Section VIII - Recommendations

35. Refine and modify the Army Security Assistance Manpower Report to reflect manpower totals by category. (ODCSLOG) (See Chapter 16 for transfer of proponentcy from ODCSOPS to ODCSLOG.)

36. Initiate action to exempt manpower spaces exclusively devoted to security assistance. (ODCSOPS w/ODCSPER)

37. Review TAFT requirements prior to DA concept approval in order to determine impact and offer alternatives for those teams which impact adversely on US Army units/activities. (ODCSLOG/ODCSOPS/ODCSPER)

38. Revise the provisions of AR 795-13 to include specific responsibilities and procedures for administering, accounting and billing for Technical Assistance Field Teams. (ODCSLOG w/COA, DARCOM, TRADOC)

39. Initiate a program to identify and manage civilian employees in International Logistics. (ODCSPER)

40. Include training in the financial management aspects of foreign military sales in Army courses for finance and comptroller personnel and in Army and DOD courses for managers. (ODCSPER w/COA, ODCSLOG, and ODCSOPS)

## CHAPTER 14

### FINANCIAL MANAGEMENT

#### Section I. General

1. Introduction. TASAPS reviewed financial procedures for security assistance at DSAA/SAAC, DA Headquarters and several subordinate commands. This chapter provides a review of Army's total financial management system, specific problem areas pertaining to security assistance and an evaluation of new systems being implemented. Due to the magnitude of financial management, several functional areas are addressed in Annex I.

2. Scope of Financial Management.

a. A portion of the preface by the Secretary of the Army and the Chief of Staff, Army, to the "The Executive Handbook for Financial Management", dated July 1977, is quoted below:

"It is essential that the highest standards of integrity and care characterize management of financial resources. As the Army is vested with a fiduciary responsibility with respect to the defense of the nation, the Army and its members have a responsibility with respect to the financial and other assets with which we have been entrusted by the American people. Financial management is an integral part of the mission. Moreover, judicious financial management is the basic means by which today's programs are executed and tomorrow's goals are formulated. Responsible financial management is the key to generation and maintenance of the essential Army readiness posture."

b. Financial management systems within the DOD and Army include the functions of programming, budgeting, accounting, reporting, and auditing, as well as the receipt and disbursement of funds. These functions provide managers with the structure or framework necessary for financial planning and control, which is the essence of financial management.

c. Financial planning includes the functions of programming and budgeting; it is concerned with decision-making, the allocation of resources, and future actions. Financial control includes the functions of accounting, reporting, and auditing. It is concerned with the assignment of organizational and operational responsibilities;

with the establishment of cost standards, with the measurement of performance in financial terms; with the assessment of reasons for variations; and with action, when appropriate, to change either performance or plans.

d. The accounting system is a financial information system designed to provide managers with the data needed for financial planning and control. Two types of reports are produced by the system: (1) accountability reports; and, (2) cost and performance reports. In addition, the accounting system provides part of the information needed for special decisions and analyses, such as investment decisions and cost/benefit analysis, and for support of budget estimates and justifications.

e. The nucleus for planning, programming, budgeting, and accounting within the DOD is the Five Year Defense Program (FYDP). The FYDP provides an account structure for aggregating forces, manpower, and costs. In conjunction with the Planning, Programming and Budgeting System (PPBS), it is a device for allocating resources and for systematically measuring the use of resources against approved plans and programs. It facilitates considerations of priorities and the maintenance of balance among the forces.

f. Responsibilities for financial management are presented in Appendix I Annex I.

### 3. Background.

#### a. Financial Problems and Remedial Actions.

(1) A number of isolated problem areas in accounting for the Army Procurement Appropriations and potential statutory violations, caused the ASA (FM) to request the Army Audit Agency (AAA) to make a comprehensive evaluation of DARCOM's financial controls over its Customer Order Program. Customers of the Security Assistance Program, especially those of FMS, comprise by far the greater part of the Customer Order Program. The AAA report, issued in 1975, contained many recommendations for improving those areas where problems were found. It was indicated that the main causes for the problems, which resulted in overobligation of the appropriations, were that the Customer Order Program, which was about twice the size of DARCOM's direct program, had been piggybacked on a financial system designed to handle the Army's direct program; double digit inflation; unclear pricing policies; inadequate data processing support; and poor accounting practices.



(2) Extensive actions were taken by the ASA (FM) and the COA to correct and overcome shortcomings surfaced by the AAA to ensure a sound financial management system. These actions are shown in Appendix 2 to the financial annex.

b. Centralization of a Joint Financial Management Office for Foreign Military Sales.

(1) The creation of a Joint Financial Management Office (JFMO) for Foreign Military Sales has been discussed and/or under study since 1971. In July of that year, the Logistics Systems Policy Committee (LSPC) Task Group recommended a study be conducted to consider establishment of a Joint International Logistics Control Office (JILCO). The OASD Staff Review Group and the Defense Security Assistance Council reviewed that proposal and referred it to the DASD(C) Audit for study.

(2) The DASD(C) Audit Report was issued in February of 1974 and included a recommendation that a JILCO be established and cited projected savings DOD-wide of some five to seven million dollars per year. The report was furnished to the military departments for comments and all raised questions as to the validity of savings projected, and also whether the proposal was the best alternative for improving the financial and logistics management of the program.

(3) The DOD Logistics Systems Compatibility Review Group (LSCRG) in May 1975 concluded that a DOD-wide standardization of systems was needed but that a JILCO was not desirable, but did recommend that the feasibility of a Joint Financial Management Office (JFMO) be studied further. In comments on this proposal, the Army concurred with recommendations to attain standardization of forms, formats, data elements, and codes which would provide compatibility among the services and with DSAA. The establishment of a JFMO, however, was not recommended.

(4) An ASD/ISA Memorandum to ASD(C), ASD(I&L), Chairman JCS, Director DSA, and the Secretaries of the Military Departments, dated 3 July 1975, cited problems created by the lack of standardized FMS financial procedures, and proposed that a JFMO for FMS be established and that the Air Force FMS financial system be used as the prototype for the Joint Operations. It was indicated that a one year planning period would be required to define its operating procedures and charter. A draft DEPSECDEF Memorandum directing that the JFMO be operational by 1 August 1976 was attached and comments were requested. The Army response of 14 July 1975 indicated full support for the proposed implementation. On 16 July 1975, the DEPSECDEF met with the Joint Logistics Commanders (JLC)

to discuss the proposal. The JLC expressed strong support for standard billing, collecting and reporting procedures in the financial management area, but indicated that this could more effectively be achieved by the services without the establishment of another organization at the OSD level. With DEPSECDEF concurrence, the "JLC" took on the task of developing these standard procedures and revising the necessary directives.

(5) The Implementation of a JFMO was directed in a DEPSECDEF Memorandum dated 23 December 1975, to the "MILDEPS". It was indicated that 55 additional spaces would be allocated to DSAA and the operating costs would be paid from the assessment of FMS administrative fees. The JLC made a reclama and requested the opportunity to demonstrate the JLC standardized product. ASD(C) Memorandum to the "MILDEPS" clarified the OSD position and indicated that JFMO would serve only as a monitoring office for DOD to ensure standardization of billing and collecting operations by the services, and would require only 21 of the 55 spaces provided. A standardized billing system was implemented as prescribed by a revised DODI 2140.3 dated April 1976.

(6) DEPSECDEF Memorandum of 9 September 1976 directed the centralization of FMS billing, cash collection, trust fund accounting, and administrative fee management. The Air Force was designated as the DOD Executive Agent for operating the centralized operation in Denver, Colorado, and which was to be referred to as the Security Assistance Accounting Center (SAAC). JFMO was designated as a field operating activity of DSAA and was collocated with the SAAC. Pursuant to the memorandum, JFMO authenticates and issues bills, evaluates the accuracy of the financial data input from the MILDEPS to "SAAC" and serves as the central point-of-contact within DOD for inquiries from foreign countries concerning FMS billings. Milestones for the accomplishment of the centralized operation were included with the memorandum, and provided for the transfer of FMS cases and trust fund cash for three major countries by 20 November 1976 and the balance by 20 January 1977.

(7) The initial transfer of Army's FMS records for the three major countries (Iran, Israel, and Saudi Arabia) was accomplished in November 1976 on schedule. During the transfer of these files, however, it became evident that time frames needed to be extended for the preparation and audit (by the Army Audit Agency) of the remaining financial records and cases. The implementation milestones were amended by DSAA to permit the transfer of the balance of the audited records in three increments with completion in June 1977. The change provided, however, that unaudited financial

data as of 31 December 1976 for these countries would be submitted concurrently with the transfer of all FMS trust fund monies and responsibilities for accounting and reporting. All milestones were met by DARCOM/USAILCOM, including the transfer of over one billion dollars, and the Army received OSD/DSAA commendations for this accomplishment.

## Section II. Direction/Control

4. The current Army Budget Finance and Accounting system is designed in conformance with the Budget and Accounting Procedures Act of 1950, as amended, and with the Congressional Budget and Impoundment Control Act of 1974. The Planning, Program and Budgeting System is described in Appendix 3. Army's overall Finance and Accounting System and that for the Army Procurement Accounting and Reporting System (APARS - formerly PEMARS) is discussed in Appendix 4 of Annex I.

5. Financial policies and procedures for security assistance programs are based on: the Arms Export Control Act; the Foreign Military Sales Act, as amended; the Foreign Assistance Act, as amended; Executive Orders; and, OMB and Treasury Circulars. Pursuant to and in amplification of these authorities, OSD has issued numerous DOD Directives to prescribe uniform policy and procedures for funding, financing, accounting, pricing and reporting for sales/grant aid of defense articles and services to foreign countries and international organizations. The Army implemented these directives by issuing Army Regulations which tie into the normal Army financial management system/procedures. These financial policies and procedures for security assistance programs are discussed in Appendix 5 of Annex I.

## Section III. Current Procedures

### 6. General.

a. Current financial management procedures are covered by a variety of Army Regulations. Specific areas (program and fund control, accessorial costs, training, medical and engineer services, direct cite, MAP/Grant Aid, and working capital funds) are discussed in the appendices 6 through 16 to Annex I.

b. The serious financial management problems noted in Section I, coupled with changes resulting from the creation of the Security Assistance Accounting Center for FMS and OSD directed budgeting and accounting changes in FY 1977, have all had an extensive impact in the financial management area. Due to the short time period allowed for moving the trust fund operation to SAAC (90 days),

several systems, including CCSS and CISIL, were adversely impacted, and interim system modifications were necessary in order to keep Army's system operational. These quick fixes have resulted in system problems.

c. Significant budgetary and accounting changes were implemented during FY77, based on OSD guidance and direction. A description of FMS budgeting and accounting before and after these changes will be presented in this section. The majority of FMS transactions are in the area of funded reimbursable orders. Accordingly, comments presented in this section primarily address funded reimbursable orders, which involve the Army Procurement Appropriations.

7. Budget Procedures for Funded Reimbursable Authority (FRA) Prior to FY 77. Under the full funding concept, AR 37-120, a command's estimate for funded reimbursable orders included the full amount of the order. The entire value of requisitions received to implement a FMS order (DD Form 1513) was processed as a customer order and FRA was applied in the year the order was received. Actual procurement or shipment from stock could take place in a subsequent fiscal year. Because of this process, Army consistently reported high unobligated balances on fiscal year end reports.

8. OSD Directed Budget Changes. On 18 November 1976, the OSD Comptroller issued supplemental budget instructions which required the FY77 and FY78 Army budgets to be changed to reflect the amount of funded reimbursable orders equal to an amount which would be obligated in the performing accounts, plus commitments for those orders to be actioned very early in the subsequent fiscal year. Concurrent with these instructions, OSD reduced the amount of FRA which would be issued to Army. Army's FY 77 and FY78 budgets for new budget authority consist of prior year requirements that are planned for action in FY 77 and FY 78 plus anticipated new customer requirements that will result in an obligation in the performing accounts in the current year.

9. Accounting Control. The Army's accounting system must be an organized, disciplined system for the collection and reduction of data in dollar terms concerning the acquisition, status, and utilization of resources.

a. Foreign Military Sales Trust Fund Accounting. Prior to December 1976, the US Army International Logistics Command (USAILCOM) performed all trust fund accounting for Army and selected DOD agencies. Effective 1 January 1977, as indicated in paragraph 3b, this function



for FMS was transferred to the Air Force which was designated as the DOD Executive Agent for FMS trust fund accounting. To accomplish this new responsibility the Security Assistance Accounting Center (SAAC) was established at the Air Force Accounting and Finance Center, Denver, CO. The SAAC system is basically a billing and collection system and not an accounting system.

b. Foreign Military Sales Accounting. The FMS case status is maintained by USAILCOM (NCAD). This organization plays a vital role in that they action all FMS cases by issuing requisitions to the performing commands. The accounting for these requisitions in Army's general ledger system is through the funded or automatic reimbursement process. This process is a integral part of Army's accounting system and is not specifically identified with FMS (APARS).

c. Accounting Problems. Foreign military sales transactions currently represents a large portion of Army's procurement budget. The rapid growth of FMS has placed a burden on a system which was not designed for the current volume. The Comptroller of the Army has directed that all accounting systems be evaluated and has directed actions which more clearly identify FMS in Army's reimbursement process. These actions are discussed in Section IV.

10. Accounting Procedures for Funded Reimbursable Orders - through May FY77 Before a command can establish a funded reimbursable order, it must be in receipt of both trust fund obligation authority and funded reimbursable authority (FRA). SAAC issues trust fund Obligation Authority (OA) to USAILCOM for all FMS cases. FRA is provided through Army command channels. USAILCOM implements FMS cases by preparing requisitions for all line items on the DD Form 1513. Trust fund OA is transmitted with the requisition via a trailer card. The performing command applies FRA, if appropriate, and establishes a customer order in the command's financial ledgers. The establishment of a customer order creates unobligated balances in the command's fiscal reports until procurement action is taken.

11. Revised Accounting Procedures. On 17 June 1977, the Comptroller of the Army issued revised instructions to DARCOM. These instructions provided new definitions for customer orders and directed the withdrawal of previously established orders which did not meet the revised criteria. This action by COA was necessary due to the late receipt of guidance from OSD. The OSD guidance was issued in June 1977 and could not be implemented during FY77. Both COA and OSD procedures limit the customer order to that part of a requisition that is actionable within the current fiscal year (plus commitments).

## 12. Reimbursement Programs.

a. **Reimbursement Concept.** The Army finances Army Procurement Appropriations (APA) and Military Pay, Army (MPA) reimbursable customer sales under the funded reimbursement concept. This is an arrangement authorized over 20 years ago by the Bureau of Budget, now the Office of Management and Budget, to facilitate and streamline consolidated procurement. Under this arrangement, the annual APA and MPA appropriation are increased by an advance apportionment from the Office of Management and Budget (OMB) to cover the estimated reimbursable sales.

(1) The advance apportionment represents a control over the amount of customer orders that may be accepted during a fiscal year. The advance apportionment does not include funds to cover "direct citation" purchases where customer funds are cited on the contract or those orders which are classified as "free assets".

(2) Conceptually, fund control remains sound because the advance apportionment is available only to the extent that customer orders are actually received and to the extent that reimbursements are eventually earned and collected. Army appropriations would not finance the reimbursable orders because foreign military sales customers should have already made cash advances to the trust fund. The advance apportionment is available for obligation based on receipt of customer orders. The actual procurement obligations are on the books of the ordering activities. It is a basic billing requirement that collections from customers or from the foreign military sales trust fund should occur before progress payments or deliveries are made.

b. **Financial Authorizations.** The authority to provide goods and services on a reimbursable basis must be included on the funding document received at an installation. There are two types of reimbursements - automatic and funded. Automatic reimbursements are reimbursements to appropriated funds that are budgeted, controlled, and accounted for at the level of performance which would normally be the installation. Funded reimbursements (FRA) are those controlled at higher levels even though the installation provides the support. Figure 14-1 depicts the types of financial authorizations that are available to the installation.

c. **Function.** The authorizations for funded and automatic reimbursement, in essence, constitute additional resources that are available to preclude "borrowing" from direct mission to finance the cost of goods and services provided to reimbursable activities.

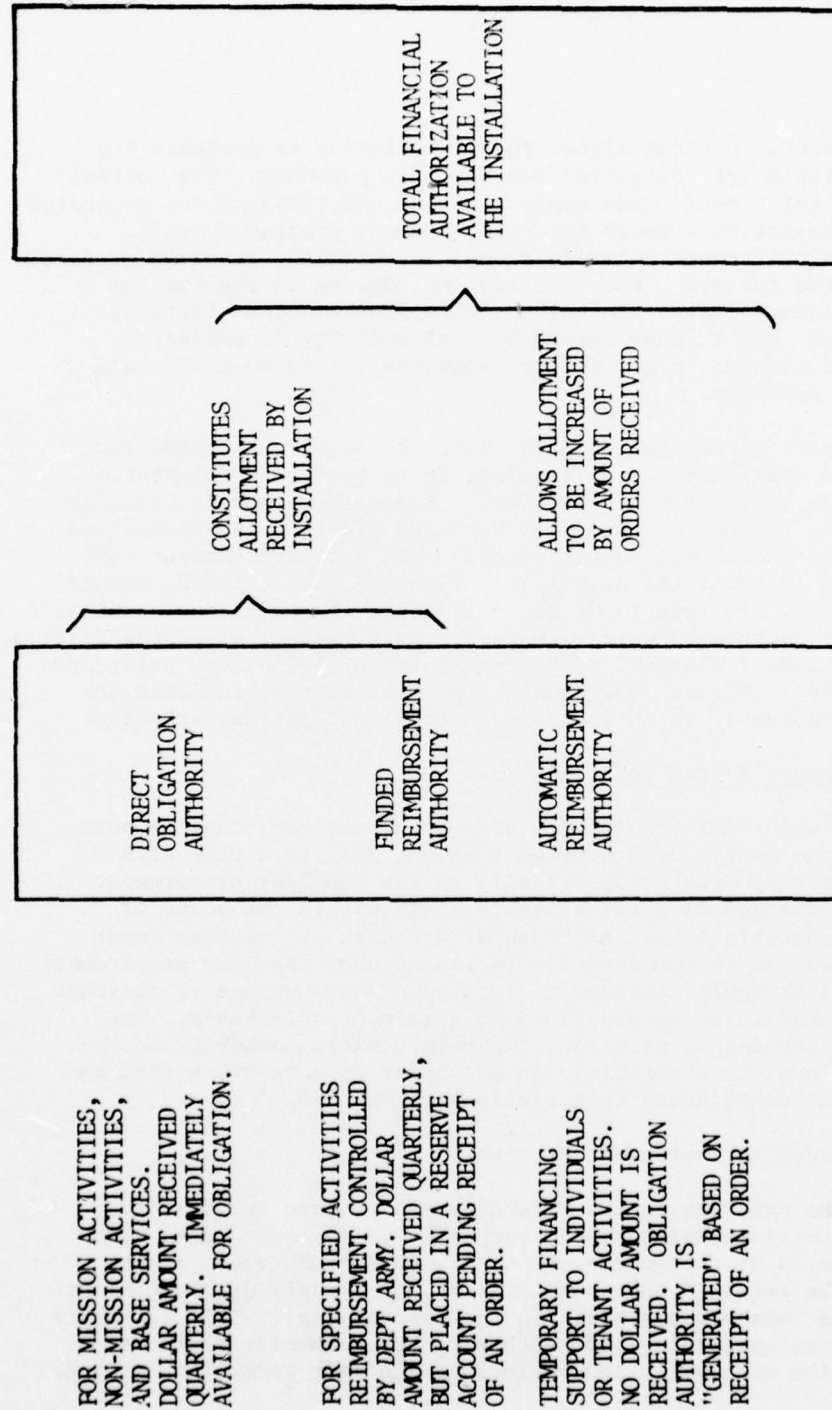


Figure 14-1. Types of financial authorizations.

The reimbursable program allows the installation to increase its funds available for obligation for specific purposes. The control procedures for direct funds apply to those additional funds generated at the installation through the reimbursement program as well. A funded reimbursement activity is one in which the revenues produced are collected for Army, the Treasury, or DOD, as in the case of Foreign Military Sales. An automatic reimbursement activity is one in which the revenue earned by that activity is collected by the installation, e.g., medical services furnished to certain authorized patients.

d. Impact on Obligation Authority. To legally increase the total funds available for obligation, there must be a documented reimbursable order from a "customer". Since the order is normally an estimate, the cost of goods or services provided is accumulated to determine the actual amount earned. The estimated amount must be adjusted to equal the actual amount earned, which is the earned reimbursement. Failure to do so could cause the balance of available funds to be overstated which, in turn, could lead to an overobligation, and could cause violations of Revised Statute 3679 - Anti Deficiency Act (RS 3679). Figure 14-2 shows steps that must be followed and stages which result in an increase to total obligation authority.

### 13. Management System Relationships.

a. In order for the Army to execute a customer order it must decide if the supply or procurement action will be direct cite (citing the customers funds directly on the supplier procurement action) or managed on a reimbursable basis within the scope of the Army appropriations. Although direct cite of customer funds is discussed and recommended for increased use, the Army procurement system will probably continue to require a large volume of customer order business to be accomplished on a reimbursable basis. The management process of providing the reimbursable authority to the executing level to accomplish the supply or procurement action was an area that contributed to violations of RS 3679.

#### b. Funded Reimbursement Process.

(1) The existing funded reimbursement process requires that the OMB apportions reimbursable authority to the Army based upon Army estimates of the volume of anticipated reimbursable orders that will be received and which will require supply or procurement action on a reimbursable basis in the current year. This authority is not apportioned obligation authority but authority to incur an obligation if a valid and actionable customer order is received.



<u>Stage</u>	<u>Funded Program</u>	<u>Automatic Program</u>
Authority Received (Funding document)	Dollar amount received on funding document placed in a reserve account represents temporary financing by HQDA for support of certain activities.	General statement on funding document allows the installation to temporarily finance the cost of goods or services sold.
Order Received (i.e., DA 2544, ISSA, DF) (Available funds increased)	Based on an estimate of reimbursable expense, that amount will decrease the reserve account and increase the funds available for obligation.	Based on an estimate of revenues, that amount is used to "generate" funds to increase funds available for obligation.
Earned Reimbursement (i.e., expense listing) (Establishes actual amount)	Based on accumulated data, the actual amount of reimbursable support provided.	Based on accumulated data, the actual amount of sales is determined.
<div> <div>CAUTION:</div> <div>Failure to adjust Order Received (estimate) to Earned Reimbursement (actual) could cause an overobligated status, hence a violation of RS 3679:</div> </div>		
Collection	Offsets the temporary financing by HQDA	Offsets the temporary financing by the installation.

Figure 14-2. Stages of reimbursements.

(2) FRA is provided to the Army on an apportionment document (DD Form 1105). The Army allocates this authority to MACOMS who, in turn, suballocate or allot the bulk authority to executing levels where the actual customer orders are received and managed. When an actionable order is received at the executing level, it must be matched to unutilized authority received, at which time a customer order is created within a procurement appropriation. The accounting system will record the order received and it will be placed under financial control (commitment obligation earning, collection, etc.).

(3) Prior to FY 78, Department of Army was required to maintain a reserve of FRA to provide for the financial management of customer orders sold from stock and not requiring replacement. This required additional accounting and controls that have been eliminated by the FY 78 procurement appropriation acts which provide for these "Free Assets" to be collected into the Treasury miscellaneous receipts.

14. Program and Fund Control for FMS.

a. There are two major control elements on funded reimbursables in the Army Procurement Appropriations. One is the "program" which is the dollar amounts shown in the President's Budget, Exhibit P-1, and managed and controlled by DCSRDA. The other is FRA or funds which flow through the financial channels.

b. The Army has established a positive control over the allocation process from HQDA to the operating levels, and has developed a mechanized program and fund control system that is being installed with contractor assistance. The contract for implementation of the system was awarded on 16 September 1976 and the system is scheduled to be fully operational in FY 1978. The system will provide a common data base for the Army to manage the overall apportionment, program release, fund allocation, and reprogramming processes for its procurement accounts. When the new program and fund control system is operational it will provide an up-to-date status of program and funds released and will keep these two elements in balance. Internal controls built into the system provide limitations against over allocations and consequently violations of RS 3679. The system will further serve as a managerial tool to monitor the Augmentation and Modernization (AM) process and obligations and expenditure of the procurement appropriations. A DARCOM regulation, now being published, will require simultaneous and equal release of procurement programs and funds. This procedure has been implemented within DARCOM.

c. Chief of Staff Memorandum (CSM) 76-34-44, dated 16 August 1976, formally established the policy and procedures governing the coordinated release of program and fund authorization documents for the procurement appropriations. These are shown in Appendix 6 to Annex I. These procedures were mechanized in May 1977 as a result of contractor completion of Phase I of the Program and Fund Control System (PFCS). Effective 1 October 1977, signed fund authorizations (DA Form 1323) will no longer be forwarded to command and agencies confirming fund releases. Army Audit Agency has agreed that the DA Form 1323 produced by the PFCS is considered valid.

d. Since operational financial systems are the responsibility of USAFAC, the responsibility for management of the Total Data Base Administration (DBA) for the operation of the system, including free asset control for use in the fund control process, was assigned to USAFAC, effective 1 October 1977.

e. Phase II (Special Operating Agency Procedures) and Phase III (Financial Control of the Customer Order Program) of the Program and Fund Control System, have been combined into a single implementation effort due to interdependencies. These will also be completed in FY 1978.

15. Management Evaluation and Reporting.

a. Review of the Financial Management Advisory Committee's (FMAC) report issued in June 1976 disclosed that there were two basic factors that consistently hampered the Army's progress in addressing its financial problems. These were the lack of qualified analysts and the lack of comprehensive management reports. The committee noted that there were few people available within the Army who had extensive experience or were assigned to the budget execution process as opposed to the resources applied to budget formulation and presentation. Additionally, the committee noted that: HQDA level appropriation status reports contained many errors; visibility over the customer program, including "AM" sales, was virtually nonexistent; key management indicators such as appropriation cash balances were not shown on any official report; and, there were no reports specifically designed to present key indicators to top level management.

The FMAC concluded that the size, complexity, and risk involved with the procurement accounts strongly dictated the need for adequate management level reports and a staff of professional

financial managers to monitor and control the procurement appropriations at the HQDA level. The FMAC recommended that the Army:

"Develop management level reports and the analytical capability that will provide Army managers with data that accurately indicates appropriation status and provides early warning indicators of potential problems in the procurement accounts during the execution process."

b. In a Summary Report issued in October 1976 on the Army's 90-day Implementation Plan of the FMAC recommendation, it was indicated that maximum effort was being applied to the implementation of APARS (formerly PEMARS) and that strong monitorship by COA and an exceptional effort by DARCOM had brought the DA system closer to reality. It was noted that a new series of monthly management level reports had been developed for the procurement appropriations and show: cash status and trends; obligation status vs plan; status of customer program execution and use; and analysis of the appropriation. The first full set of installation reports were published in October 1976. The loading of the DA level data bank at USAFAC was also started the same month and the first DA level APARS reports were issued in November 1976.

c. Since the October summary was issued, it is noted that automation of the reports has been expedited and that this has considerably improved the timeliness of the reports, and the data has also provided a base for trend analysis and graphic printouts.

d. In January 1977, a contract was awarded to "Ernst & Ernst" for a conceptual study of APARS to evaluate the original APARS concept in its entirety and determine its current and future validity.

e. In their report of July 1977, the contractor concluded that some of the concepts that constitute APARS need to be revised, but that an entirely new overall concept is not needed. They also concluded that the volume of monthly data reported under the current concept discourages the effective use of the data, and recommended the revision of existing APARS reports. A set of revised report formats (exception and summary reports) was included in the report which the contractor indicated would reduce the volume of data reported at the DA level, simplify its presentation, and provide additional information not currently available. TASAPS was advised that in September 1977, COA directed the implementation of the revised reports, as recommended.



f. It was also indicated in the October 1977 Summary Report that as a part of corrective action to develop the analytical capability of personnel assigned to the budget execution process, USAFAC had been tasked to provide a 16-hour block of instructions for analysts and that the first course has been presented. TASAPS did not review any other actions taken in concert with the FMAC recommendations in this area.

16. Military Missions.

a. Prior to, during, and after World War II, the US Government (USG) negotiated individual agreements with most Latin American countries providing for the USG to send military missions to those countries to provide training and technical assistance. These agreements, and amendments thereto, were executed by the Department of State and the Ministry of Foreign Affairs of the respective countries. However, the terms of the agreements were not uniform and, in fact, varied widely as to what items were to be reimbursed or furnished.

b. The initial agreements generally provided for the Latin American governments to provide administrative support for in-country operations (office space, medical care, etc.), and to reimburse the USG for certain costs associated with the mission member's movement to and from their country (personal travel, shipment of household goods and vehicles, etc.). Many of the initial agreements also required the host government to make salary payments to mission personnel. Although the amount of the payments or basis was not included in the agreements per se, they were apparently involved at some time prior to 1959.

c. Modifications, changes, and termination of agreements during the period 1939 to the current time have generated a morass of claims by the Army (and the other services) for reimbursement. Notable among these changes was the one caused by the Mansfield Amendment in 1959 to the Foreign Assistance Act which barred mission members from accepting compensation from the host government. Apparently, there was some feeling at the time that the right to this payment passed to the USG and that it should be collected by the military services. Bilateral "Mansfield" agreements were signed with eight countries to clarify the USG's right to this reimbursement. However, agreements were not made with the six other countries, for various reasons. The collection of this "obligation" has been inconsistent among the services and also within the Army, i.e., not always budgeted as "reimbursable", not always billed the same way, and only occasionally collected.

d. The reasons for such state of affairs concerning the budgeting, billing, and collection of military compensation coincided somewhat with those for the reimbursement of other costs, and are as varied as the terms of agreements. These include the following: (1) little or no activity by the State Department to determine status and current accuracy of agreements; (2) no guidance, and only sporadic interests by OASD/ISA and OASD(C); (3) little knowledge about the "game" among the players on the DA staff (ODCSPER, ODCSOPS, MILPERCEN) except for the Comptroller; (4) insufficient financial controls at MDW to ensure that all reimbursable type costs are collected and deposited to the proper account; and, (5) lack of regulatory guidance which provides responsibilities, policies and procedures.

e. The Office of the Comptroller has made many attempts during the past three years to rectify or at least improve this bizarre situation with our Latin American neighbors, but apparently has been somewhat less than successful. In 1974, unable to obtain any data from OSD concerning the status of the agreements which were considered as the basic requirement in establishment of a financial management system, OCA met with State Department personnel to discuss and obtain copies of the agreements and amendments supposedly in force. These were reviewed, and in December 1974, a schedule showing COA's interpretation as to the types of costs which should be reimbursed was sent to ASD/ISA and the General Counsel, DOD (Office of Record), together with the agreements, for validation so that accounts receivables on record at MDW could be purified and proper billing procedures established. Requests for response have been made in writing and verbally since that time but have been to no avail.

f. It is understood that there have been discussions between OSD and the State Department, however, due to changes in personnel in those offices, and the involvement of political sensitivity, there apparently has been little accomplished in the determination of the status and accuracy of the agreement.

g. This situation can be likened to a delayed time bomb and the Army appears to be in a no-win position, i.e., either budget/bill erroneously, do half, or not do either. Immediate action is required to preclude embarrassment to the Army, DOD, and the State Department, and also in the USG's relations with the countries involved.

h. It would appear at first glance that it was the clear intent of Congress to terminate Grant Aid military assistance, however, the Arms Export Control Act of 1976 provided for up to three members of the US Diplomatic Staff to perform security assistance functions.

The Security Assistance Act of 1977 authorized management teams of three each to manage military assistance and International Military Education and Training (IMET) which is a Grant Aid appropriation.

i. Discussion with DSAA Comptroller personnel disclosed that DSAA was reimbursing all Army MAAG military personnel out of MAP funds. They also indicated that the MAP appropriation was reimbursed from the FMS administrative fee based on a prorata share of the time that some mission personnel had expended on FMS. This matter of funding further complicates and significantly impacts the problem, and dictates that action be taken to clarify this situation.

17. Military Assistance Grant Aid Program.

a. All Military Assistance Grant Aid Programs are developed, funded, and administered in accordance with the Foreign Assistance Act of 1961 as amended. The most recent changes or amendments to that Act are the International Security Assistance and Arms Export Control Act of 1976 and the International Security Assistance Act of 1977.

b. Title I of the 1976 Act outlines in clear terms the intent of the Congress to terminate Grant Aid military assistance. Except to the extent that the Congress may authorize the furnishing of military assistance, to specific countries in specified amounts, the programs are to be terminated as of 30 September 1977. This included the termination of military assistance advisory groups which were required to be replaced by up to three military members of the US Diplomatic Mission Staff to perform security assistance functions. The 1976 Act also prohibited Defense attaches from being involved in security assistance after 30 September 1977.

c. The Security Assistance Act of 1977 authorized security assistance management teams of three members each to manage military assistance and International Military Education and Training (IMET), as well as FMS, in foreign countries, with up to three additional members authorized when requested by the Chief of Mission. Defense attaches who were barred from participation in security assistance functions by the 1976 Act, are permitted by the 1977 Act to perform security assistance functions if determined to be the most economical and efficient means of managing the program.

d. Obligations may not be incurred subsequent to 30 September 1977 unless specifically authorized by the Congress. Authorities are to remain available until 30 September 1980 to carryout the obligations incurred prior to 30 September 1977 or as otherwise

authorized by the Congress. Funds are to remain available to defray costs of packing, crating and handling and transportation, and for costs incurred with respect to defense articles on loan to countries.

e. When the SAAC was established by the DEPSECDEF, there was no mention of the Military Assistance Grant Aid function being centralized. In essence therefore it should be known as the FMS Accounting Center since only one portion, albeit the largest portion, of the total security assistance program is centralized. Each of the services perform the financial management functions for MAP/Grant Aid - the accounting for the Army being accomplished centrally at USAILCOM.

f. The responsibilities and financial procedures for Grant Aid are shown in Appendix 12 to Annex I.

#### Section IV. Analysis of Current Procedures and On-Going Actions

##### 18. Background and Approach.

a. The Needs. TASAPS' approach in evaluating the Army's ability to effectively control and financially manage security assistance program focused on gaining an understanding of the basic needs of the Army and defining areas where actions are considered essential. Extensive review was made of previous reports issued by committees and contractors who had researched and documented the background and nature of the financial managerial problems the Army has been experiencing. As pointed out by the FMAC in its June 1976 report to the Secretary of the Army "the underlying factor for a significant part of the Army's financial management problems related to financial management of customer order program, especially the management of the foreign military sales program with its related impact on the procurement appropriations." The management of the customer order program was recognized and is openly considered an extremely complex function which requires financial management procedures substantially different from those used to manage the Army's direct program. In reviewing the overall customer order process, TASAPS considered the following basic needs:

- (1) Simplified Process
- (2) Greater Control and Visibility
- (3) Uniform Policy to Control Customer Order



- (4) Elimination of Bulk Releases of FRA
- (5) Country Case Obligation Control
- (6) Country Level Reports of FMS Obligations
- (7) Reconcilable Program

b. Complicating Factors. These needs not only indicate the requirement to make substantive changes to existing procedures, but raise the basic issue of the ability of existing systems to accomplish the necessary functions. Notwithstanding these apparently straightforward needs, there exists a number of complicating factors which do not exist in the direct APA management process but which further add to the complexity of the overall situation. Thus, focusing on the procurement appropriations is considered essential as the area of greatest complexity with major problems. By defining and recommending approaches for APA management, the concept and basic policy will be defined to improve the overall security assistance financial management process. The major factors implicating management of the APA are:

- (1) Order Entry and Control
- (2) Control Over Requesting/Accounting For/And Issuing Obligational Authority
- (3) Special Pricing Considerations
- (4) Cash Flow Considerations
- (5) Reconciliation Requirements
- (6) Generation of Free Asset Funds
- (7) Need for Special Management Reporting

c. FMAC Conclusions. As stated by the FMAC, "These complicating features coupled with the reimbursable concept for financing the customer program, the largely decentralized financial management structure, the merging of the customer program with the Army's direct program, the use of a financial information system which was not designed to handle the complexities of the customer order program, were the principal factors causing the Army's financial management problems."

19. Basic Requirements.

a. In consideration of the needs recognized by the study group, the following basic requirements were defined as necessary for the Army to establish financial control over the security assistance management process:

- (1) Establishment of an integrated accounting and financial control system.
- (2) Compliance with administrative control of fund directives.
- (3) Availability of real time reporting/management control/information to DA, Executing Commands/Agencies, SAAC, and OSD.
- (4) Reconciliation of FMS orders received with official Army Accounting Records.
- (5) Capability to control financial resources in emergency situations.
- (6) Capability to increase use of direct cite.
- (7) System approval by GAO.

b. The study group used the above needs and requirements as the basis to evaluate the environment that exists and to determine what specific actions are necessary.

20. The Financial Management Environment.

a. Financial Management Problems. The Army financial management problems have been documented in numerous studies, as shown in Appendix 1 to Annex I. As indicated in the appendix, the Army has been working to determine and implement necessary corrective actions. The study group has made a concerted effort through field trips and discussions with key financial management personnel to gain an understanding of the magnitude of the problems and the status of actions underway to improve the financial management processes. Notwithstanding the magnitude of the turmoil that has occurred within the Department of the Army for management of its customer order program, to include the transfer of case financial management to SAAC, the growth of the security assistance program, and the requirements for improved and more systematized financial management, the basic requirement exists to again address what capabilities the Army has to substantively meet existing and new requirements both on an immediate and long term basis.

b. Major Participants. The major participants and areas of analysis in the financial management process are the Security Assistance Accounting Center (SAAC, Denver, Colorado), the Army focal point for management of its customer program, (USAILCOM) and the executing agencies that actually accomplish the procurement and supply actions to support the execution of the program (DARCOM commodity commands, TRADOC, USACC, etc.). These organizations and their relationship to the Army's accounting and control system comprise the environment for the study. The magnitude of the customer order program on Army Procurement Appropriations is reflected in Figure 14-3.

21. The Existing FMS Financial Management Process. Figure 14-4 shows the major activities and some of the relationships between the customer order process. Not only does the process involve the receipt of authorities; the order; the FMS trust fund obligation authority; and funded reimbursable authority, but also the requirement to manage a cash process for billing and collection to ensure that funds are available to cover the execution of the order as it progresses. The signed offer and acceptance of the case from the country must also be received by the Army, but cannot be acted upon until SAAC issues an obligation authority document, and FRA and APA program authority are available. In the case of direct cite of the trust fund, expenditure authority must also be received from SAAC. The management of the FRA issued by OMB, as an apportionment to cover accepting the order into the Army's procurement appropriations on a reimbursable basis, is considered by itself a major effort and management problem. This single facet of management of FRA is considered by the study group to be a major obstacle to effective Army management of its customer order program. The major conclusion and recommendation relative to this area is that the Army fully implement the Army Program and Fund Control System for procurement appropriations and request OMB authorize management of the reimbursable program in the procurement appropriation on a automatic reimbursement basis. This could simplify and contribute to better financial management for the Army.

22. Analysis of Significant Problem Areas.

a. Automated Financial Systems. Central to the study was the realization that financial control was directly related to the ability of an automated system to accomplish the necessary control, accounting, and management information needs of the Army. This system must provide a single set of official facts on the status of financial, logistics and service resources being utilized to execute the overall security assistance program. The

	<u>TOTAL APPORTIONED</u>	<u>CUSTOMER ORDER REIMBURSEMENTS</u>	<u>%</u>
	FY 74-77		
AIRCRAFT	1,860	547	30%
MISSILE	4,140	2,243	54%
W&TCV	5,546	2,620	47%
AMMO	5,844	2,348	40%
OTHER	4,905	1,244	25%
	<hr/> 22,295	<hr/> 9,002	<hr/> 40%

Figure 14-3. Magnitude of customer order program in millions.



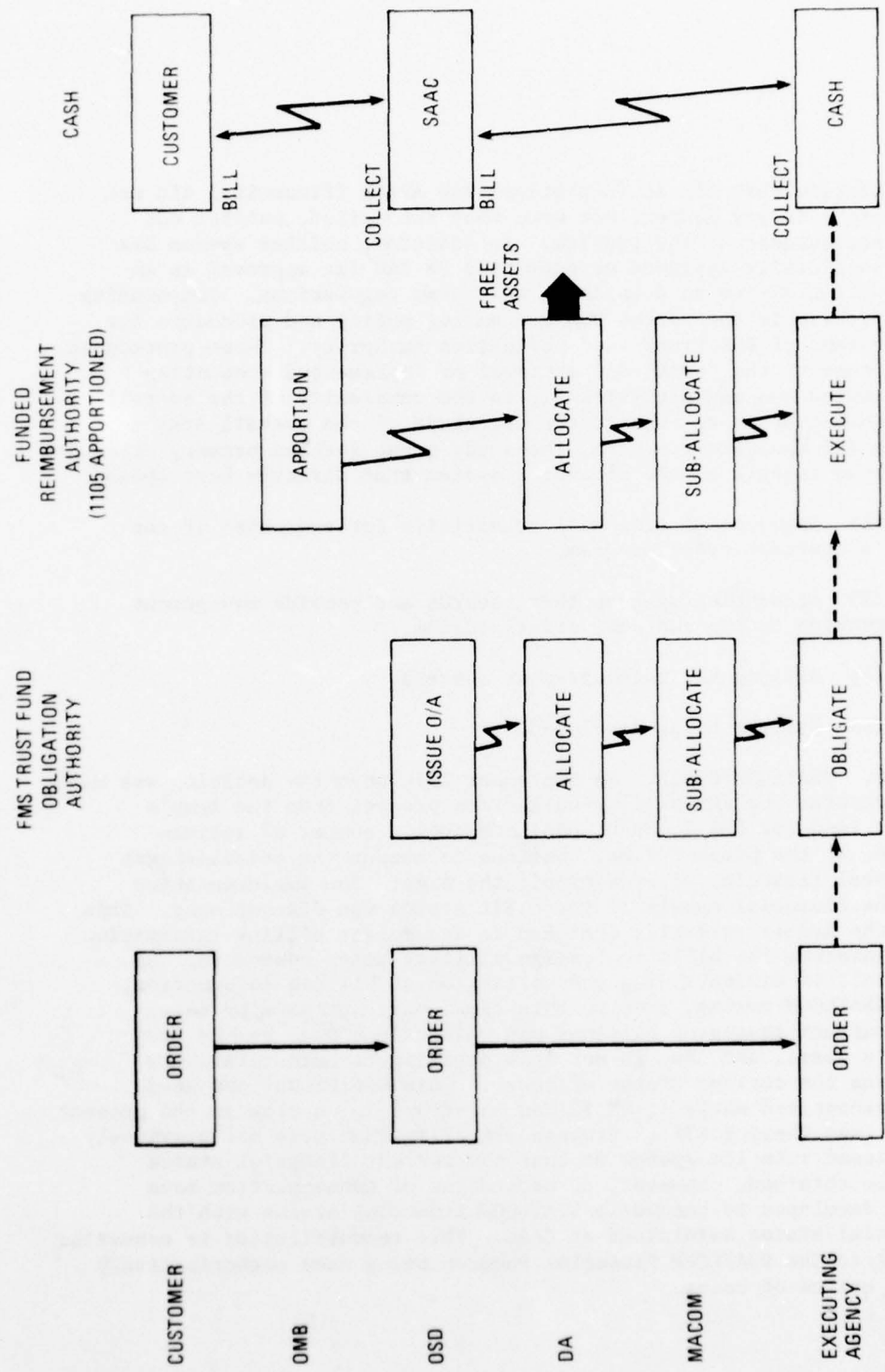


FIGURE 14-4, CURRENT PROCESS (REIMBURSABLE)

realization that CIS-IL (logistics) and APARS (financial) did not interface in any manner, nor were they reconciled, pointed out the seriousness of the problem. In addition, neither system has been officially approved or submitted to GAO for approval as an accounting system in accordance with Army regulations. Compounding the problem is the recent OSD accounting policy and procedure for management of FMS trust fund obligation authority. These procedures also require the formal GAO approval of implemented accounting procedures and add significantly to the complexity of the overall management process. Due to the magnitude of the overall Army's financial management system, the study group focused primary attention on those aspects of the financial system that directly bear upon:

- (1) Issuance of financial authorities for execution of the Army's customer order program.

- (2) Accounting systems that records and provide management information on the customer order program,

- (3) Billing and reimbursement systems.

- (4) Systems being developed.

b. USAILCOM/CISIL. In September 1976 when the decision was made to transfer the FMS billing/collection process from the Army's trust fund for FMS to SAAC, USAILCOM took a number of actions which, at the present time, continue to hamper the establishment of total financial records within the Army. The implementation of the financial module of the CISIL system was discontinued. This was the module primarily designed to accumulate billing information and generate the bills to foreign military sales customers. As a result of discontinuing the collection of billing information, the USAILCOM system, even to this time, does not have by case, the current status of billings and collections made by the Army to its cases, and thus is not in a position to authoritatively discuss the current status of cases. This deficiency and need was recognized early in CY 77 and an effort is ongoing at the present time (see Chapter 15) to process all bills that were not previously processed into the system so that the current financial status can be obtained. However, no procedures or documentation have been developed to reconcile USAILCOM financial status with the official status maintained at SAAC. This reconciliation is essential prior to the USAILCOM financial records being used authoritatively in a status of cases.

c. Management of FMS Obligation Authority. In anticipation of OSD issuing new procedures for the management of obligation authority to the FMS trust fund, HQ DARCOM implemented interim procedures for distribution and control of obligation authority. These interim procedures, although tentatively approved by the Comptroller of the Army are now considered as not being totally responsive to the overall financial need. Specifically, the interim procedures and additional procedures that were proposed and are being implemented by HQ DARCOM:

(1) Do not provide for reconciliation of the obligation authority data at USAILCOM with official Army records maintained within the Army's accounting system.

(2) Do not provide for management of expenditure authority for direct cite which is a major initiative of future use of the FMS trust fund process.

(3) Generate a vast amount of administrative processing of cards which has not been fully implemented by many of the subordinate activities of HQ DARCOM. Study group contacts with these commands indicate great concern whether the proposed concept and system could be ever fully executed as designed. (See Chapter 15)

d. FMS Billing System.

(1) The term FMS bill is often misleading because of the billing relationship between Army and its suppliers (contractors, GSA, DLA & etc.), Army and SAAC, and SAAC and the customer country. In order to properly address the issues of FMS billing, the following stratification of bills is provided.

(a) FMS Bill - DD Form 645. This is the quarterly bill sent to each foreign customer by SAAC. The DD Form 645 informs the country (at case level) of the delivery status, dollar value of work in progress, the amount of funds required for the subsequent quarter, cumulative financial requirements, amount previously deposited against each case by the customer and the amount due. Army's ability to more accurately forecast cash requirements is the key to this billing system. SAAC adds to Army's forecast, administrative fee, accessorial charges and contractor holdback (normally 20% of contractors cost).

(b) Army Stock Fund FMS Bill. On confirmation of shipment by the supplier (depot), the applicable DARCOM major subordinate commands (MSC) processes interfund bills in accordance with MILSTRIP

procedures. At the time the MSC processes the interfund bills, credit is made to the stock fund appropriation. Detail interfund bills are transmitted to SAAC with a summary billing card. A maximum of 495 detail billing cards may be transmitted with one summary card. The MSC also transmits summary billing cards to the US Army Finance and Accounting Center (USAFAC), which in turn reduces the treasury balance (97-11X8242 - FMS trust fund). These transactions are carried in a suspense file until cleared by SAAC. SAAC has the responsibility for posting the detail transactions to country files, updating the country FMS bills (DD Form 645) and notifying USAFAC to drop summary bills from suspense.

(c) GSA/DLA FMS Bills. Both GSA and DLA operate under interfund procedures described in b above, with the following exception: Summary and detail bills are forwarded to USAILCOM for processing to SAAC. The SAAC system cannot accept the standard interfund bill. USAILCOM modifies the interfund bills and transmits them to SAAC. For Army interfund, this modification is accomplished at the MSC.

(d) Delivery Card. The MSC, based on delivery of a non-stock funded item, or payment of a progress payment, forwards a delivery card (modified G card) to SAAC. This card can be coded for reimbursement or no reimbursement required. The modified G card is in a format that can be accepted by the SAAC system. SAAC used a 7128 card format. The lack of a standard format led to the requirement for Army to take the Army billing card, G, and convert to a format acceptable to the SAAC system. System changes are required to produce a 7128 card format from Army computer systems. The modified G card is also used for other FMS billings, i.e., services, construction, etc.

(2) Interfund Problems. As of 17 October 1977 SAAC has not cleared a single interfund transaction with USAFAC. As of 30 Sept 77, \$207 million dollars was in the interfund suspense account at USAFAC. SAAC has requested USAFAC forward their entire uncleared file to Denver. Although this is a SAAC problem, their failure to clear interfund transactions for a period in excess of one year could result in a massive reconciliation effort. A review of procedures at SAAC revealed that they have extremely weak procedures for controlling interfund transactions. SAAC has initiated action to change the MILBILLS procedures to allow GSA, DLA and Army to process interfund bills direct to SAAC. The Air Force and Navy would also go under interfund procedures if these changes are approved by OSD. This action would remove USAFAC from the interfund operation, but would not resolve the issue of clearing interfund transactions. This



problem would be concealed since SAAC would reduce the trust fund balance with Treasury and would clear these transactions within SAAC.

(3) Prior to centralization of the FMS billing function (DD Form 645) under SAAC, numerous complaints were received by the Services from customer countries. Many complaints concerning the Army were caused by DARCOM's over forecasting cash requirements and advancing more trust fund cash to the procurement appropriations than was needed. Since the transfer of the trust fund to SAAC, and refinement of forecasting procedures by DARCOM, customer complaints have declined significantly. It should be noted that FMS customers were notified to direct inquiries to SAAC. The volume and nature of complaints being received by DSAA and SAAC is unknown. Recent complaints have been in the area of duplicate bills. At the time of this writing, the cause of this duplication had not been determined.

(4) Edit Checks. USAILCOM's computer system (CISIL) had 67 edit checks to verify the accuracy of a FMS bill (delivery card). As of this writing, USAILCOM had eliminated most edit checks and were pushing bills to SAAC. All commands/agencies involved in the preparation of FMS delivering billing cards must have adequate edit checks to insure the accuracy of these documents. The time saved by not developing proper edit procedures will, in the final analysis, prove costly and embarrassing to Army. (SAAC edit checks are also extremely weak.)

(5) DARCOM Reimbursement Procedures. DARCOM major subordinate commands are requesting and receiving advances from the trust fund in accordance with AR 37-60, as revised. These commands currently bill SAAC for reimbursement, even though they may have an advance from SAAC for a particular transaction. SAAC liquidates the advances and reimburses the MSC on a net basis. The MSC must review manual annotations on the Command List to determine the accounts they are being reimbursed for. This action takes from two-three weeks. Until this reconciliation action is completed, MSCs have been depositing these receipts into a Treasury suspense account. This has caused distortion of fiscal reports. The SAAC has promised a computer printout which will identify the proper appropriation being reimbursed. The study group believes that the MSCs should liquidate the advances and bill SAAC on a no-reimbursement-required. This would speed up the reimbursement process and reduce the workload at the MSC.

(6) Non-DARCOM Billing Procedures. Non-DARCOM commands forward all FMS bills to USAILCOM. These bills are in a variety of formats, ranging from typed SF 1080s to punched cards. USAILCOM prepares

a "L" card from bills and inputs to CISIL. The CISIL program produces a "G" card, which must be modified, as discussed above. A listing of non-DARCOM commands and value of undelivered orders is shown in figure 14-5.

(7) Image Bills. Based on DARCOM's decision to have their commodity commands direct bill SAAC, the Comptroller of the Army challenged their ability to reconcile logistical and financial data from the USAILCOM data base. The DARCOM Comptroller informed the COA that an image bill would be forwarded by the MSCs to USAILCOM for the purpose of reconciliation. An image bill was defined as being an exact copy of the bill forwarded SAAC (through the Defense Automated Address System - DAAS). Because of requirements to modify the "G" card for SAAC and the inability of the CISIL program to accept the modified format, the image copy concept was not implemented. SAAC received the "G" card. The following problems have been identified with this process:

(a) CISIL was not programmed to process an information bill for update of the data base.

(b) Because of (a) above, bills were stacked for several months, before being processed into the data base, and,

(c) Reconciliation procedures between USAILCOM and SAAC are weak to non-existent.

e. Direct Cite. The study group has observed that the use of direct cite by the Army has been extremely limited. Although considerable attention has been focused on direct cite advantages, the administrative workload involved in accounting for direct cite funding offsets some of the initial simplicity the procedure is sometimes perceived to give. However, the study group has concluded that increased use of direct cite should be made. Additional comments on direct cite are presented in Appendix 13 of Annex I.

f. Pricing.

(1) The Study Group is aware that some security assistance customers continue to cite recurring price changes as an irritant in their relations with the USG, and also as a frustrating impediment to effective planning and budgeting for their materiel acquisition programs. From the customer-nation viewpoint, such changes appear to be arbitrary, unexplained, too numerous, too large, and not timely.

ORGANIZATION	NO OF CASES	PROGRAM	DELIVERED	UNDELIVERED (BASED ON FORECASTS)	METHOD OF BILLING	BILLING OFFICE
Army Pictorial Ctr	22	\$ 15,371 \$	11,647 \$	3,724	"1080"	Tobyhanna Army Depot, PA
Corps of Engineers	35	7,827,886,431	870,635,124	6,957,251,307	"1080"	Mid East Div COE Saudi Arabia USA Engr Dist, MD
Ofc Chief of Staff	8	72,699	1,659	71,040	"1080"	
SOUTHCOM	40	154,291	52,927	101,364	"1080"	193d Inf Brig Canal Zone Howard AF Base (Org of American States)
TAG	308	3,601,551	1,663,267	1,938,284	Billing L Card	MDW WASH DC
TRADOC (TRADOC Schools & Other Agency Schools in CONUS for Medical & DARCOM & A&AT for Agencies in Europe & SOUTHCOM)	374	143,110,765	61,136,095	81,974,671	Billing L Card	TRADOC
USAMMC	77	58,636,774	41,672,699	16,964,075	Billing L Card "1080"	63d F&AO, Zweibrucken, Germany 45th Fin Sect, Kaiserlautern, Germany
USARJ	11	934,136	572,451	421,685	"1080"	USA Garrison, Sagami, Japan USA Garrison, Okinawa (F&AO - Chibana Japan US F&AO, Korea

Figure 14-5. Status of FMS program/deliveries for non-DARCOM MSC (as of 30 June 1977).

ORGANIZATION	NO OF CASES	PROGRAM	DELIVERED	UNDELIVERED (BASED ON FORECASTS)	METHOD OF BILLING	BILLING OFFICE
USAILCOM - WFO (Saudi Arabia, NG)	11	51,258,075	16,469,390	34,788,685		MDW WASH DC
USAILCOM - NCAD (DLA, GSA, BOE, SSA, ASA, ACSA, ACCSPTDET)	1,395	1,949,458,040	718,574,705	1,226,883,335	Interfund MDW WASH DC, Various - Billing DLA, GSA L Card Various Locations "1080"	
USAMMA USAMEDDPERSA USAHSC	84	22,626,315	9,670,924	12,955,391	"1080" Interfund USAMEDDPERSA, WASH DC "1080" USAHSC, Ft Houston, TX	USAMMA, Ft Detrick, MD
SELPO	154	54,196,786	11,865,825	42,330,961	Direct Cite "1080"	Ft Meade, MD

Source: DARCOM "128" Report

Figure 14-5 cont'd.



(2) Price changes are generally caused by changes in DOD policy, Congressional direction, and changes in the status of items offered for sale. Those in the latter category can result from changes in Army's AAO requirements or an actual change in the availability of a item from stock. Decreases in prices also occur, as, e.g., a planned procurement action being satisfied from Army stocks. Although the status of supply action is predictable at the time a DD Form 1513 is prepared, it is often changed by the time a case is received from the country for implementation of a sales case.

(3) As indicated in Appendix 5 to Annex I, OSD pricing policies seem to be in a perpetual state of change and DOD Directives become outdated soon after issuance due to either Congressional changes or OSD interpretations of the law. Training costs, e.g., have undergone four changes during the past two years due to "new looks" requested by the DEPSECDEF - the last one being in March of 1977.

(4) The holding of pricing seminars by COA to explain published guidance and to compare it to actual pricing situations being experienced in the field have helped to ensure that policies are adequate, simplified, and understood. In addition, a close working relationship with OSD on pricing matters has enabled some changes to be made to the benefit of the Army.

(5) Based on a review of actions taken and in consideration of "directed" changes and other problems, the pricing area has improved considerably and appears to be under control as much as possible.

g. Design and Approval of Accounting Systems.

(1) Review of the FMAC report and discussion with COA personnel disclosed that there are reasons to believe that the overall Army accounting systems, as currently fragmented into 30 separate and supporting functional area systems, are neither as effective nor as efficient as they should or could be. In addition, it is understood that there is not a single comprehensive document that ties all of the systems together.

(2) It was indicated that the deficiencies noted during the FMAC review of the procurement appropriations (and APARS) are probably symptomatic of similar problems in the majority of the accounting systems, and as a consequence, these could also impact on the security assistance programs.

(3) In accordance with the Budget and Accounting Procedures Act of 1950, the General Accounting Office (GAO) must review and approve the accounting systems of each executive agency. As of 31 October 1977, GAO has only approved five of the Army's 30 identified systems. GAO has discussed the approval requirement with COA personnel at various times and advised that, as an initial step, functions and parameters of each accounting system and of the interrelationship among systems and organizations must be developed. At the time of the FMAC study and report, this "overview", which was regarded as a major step in the development of financial management systems, had not been initiated.

(4) As indicated in paragraph 23e, COA has initiated corrective action to resolve this problem.

h. Ambiguities in Regulations.

(1) Review of regulations disclosed that there are ambiguities concerning responsibilities in the area of the budget execution portion of financial management functions. These involve responsibilities of COA and those of Appropriation/Program/Functional Program Directors, and include the following examples:

(a) Paragraph 2-29 of AR 10-5 provides that DCSRDA is responsible for "Managing the integration, funding, and execution of the Army's direct and reimbursable RDTE and procurement appropriation programs." (The meaning of the term "managing the funds" is not further defined) Paragraph 2-30 provides that the COA has responsibility for execution of the Army budget including distribution of funds and monitorship of obligations, expenditures and reprogramming actions.

(b) AR 37-120 indicates that DCSRDA is responsible for controlling the application of financial resources to the approved programs. Under the current system, however, DCSRDA releases program authority through COA and requests COA to issue funding to support the program release. CSM 76-34-44 prescribed this system, but was allowed to expire in August 1977 due to the mechanization of this system by PFCS.

(c) It is stated in paragraph of CSR 11-5 that "Appropriation, OMA program and subprogram, and functional program directors will continue to be responsible for the development of Program and Budget Guidances, and for the management of funds once apportioned."

(2) Discussion with Comptroller and Appropriation Director personnel confirmed the ambiguities in regulations. They also indicated that there is not any document which clearly delineates responsibilities and

duties of Appropriation Directors for managing the funding of appropriations during budget execution, the COA's responsibilities, and the nature of the interface between these functional areas of responsibilities.

(3) Due to the ambiguities noted and the lack of document which clearly delineates responsibilities for the budget execution phase, it appears probable, as Appropriation Director personnel indicated, that there is a duplication of functions in the areas of issuing/controlling fund releases, evaluation of "ICAR/APAR" reports, and reprogramming actions.

1. Financial Management Personnel.

(1) In its report of 30 June 1976, the FMAC pointed out that the scope and significance of financial problems within the Army, and the apparent lack of qualified personnel with the ability to respond quickly and effectively when the procurement appropriation problems surfaced, indicated that the personnel system failed to adequately support the financial management needs of the Army. It was also stated that until the Army develops a cadre of professional financial managers, capable of managing large and complex programs, it will continue to experience difficulties in its financial operations.

(2) The FMAC concluded that if the Army is to ensure that its funds are adequately controlled and monitored at the appropriation level, sufficient qualified personnel need to be assigned, and trained (as required) to do the job, particularly at the COA, Appropriation Director, and MACOM level. This is also discussed in paragraph 15.

(3) The FMAC made five specific recommendations regarding the training and assignment of professional financial management personnel. The corrective actions taken are shown in paragraph 23f.

23. Corrective Actions Underway.

a. Customer Order Control Points (COCP).

(1) Ensuring that all reimbursable customer orders, received by the Procurement Appropriations are matched with FRA prior to their entry into the accounting system and that all subsequent upward or downward FRA needs are met before accounting adjustments are made, is the key to control. This process is basically the function of "Customer Order Control Points" located within executing

commands. Although each command has established procedures working towards achieving this objective, each is utilizing a command unique system that is linked into the financial system (APARS). The lack of a standardized system has continually disrupted efforts to firmly establish credibility in the basic Army control over reimbursable customer orders.

(2) Extensive efforts to improve control in this area have been made, but the basic system links have not been refined. The PFCS Control System (Phase II Special Operating Agency Program and Fund Control) was designed to address this area.

b. The Program Fund Control System (PFCS).

(1) Background (Phase I - HQDA Program and Fund Control). Effective front end controls over the receipt and issue of FRA to MACOMS have been established as a result and implementation of Phase I of the PFCS for HQDA Program and Fund Control. The procedures tie together the issue of FRA and the reporting of the receipt of customer orders into the procurement appropriations. In addition, formal system procedures have been established to manage the "Free Asset" reporting and utilization process. These steps have placed into being a base upon which an integrated and controlled reimbursable customer order manager process is to be based.

(2) Phase II (Special Operating Agency Program and Fund Control). One aspect of the Phase II concept is the establishment of a uniform system for control of the FRA made available to the Army. The design calls for each executing command/agency to request FRA on a real line basis through the communication terminal system which has been installed. This "pull" system will replace the bulk release of FRA through allocations/allotments and will result in FRA released allocations/allotments equalling the value of orders which require FRA. The system, after application of FRA, will interface with APARS to establish the reimbursable order in the appropriate procurement appropriation.

(3) This system when implemented (FY 1978) will result in a uniform system and policy that will reduce record keeping requirements at executing levels, eliminate the management of bulk releases, and streamline the management and control of customer orders. In addition, an interface to the Army Customer Order Control System (FMS) which would pull FMS obligation authority at the same time FRA is pulled is tentatively scheduled for March 1978 implementation. In the study group's opinion the integration of these systems would significantly further enhance the overall system approach.



c. The Army Customer Order Control System for FMS (ACOCS-FMS). ACOCS-FMS was added to the overall scope of the PFCS as a directly related effort. Implementation of this system is the first step in the implementation of the OSD, Foreign Military Sales Revised Financial Management Procedures. This system, under the control of the USAILCOM, Comptroller, places all FMS obligation authority under general ledger control and ties the release of OA to FRA from PFCS.

(1) The Comptroller of the Army established an Implementation Team for Financial Management (ITFM) of Army's FMS program. All commands/agencies involved in security assistance have either full or part time representatives serving on this team. ACOCS-FMS is an innovation of the team's effort, and is discussed in Appendix 14 to Annex I.

d. Implementation of the Program and Fund Control System and the Army Customer Order Control System for FMS will resolve many of the problems discussed above. Additionally, ACOCS-FMS will be interfaced with CISIL.

e. Design and Approval of Accounting Systems.

(1) During the period January - March 1977, COA developed a current description of the 30 systems, and the scope of work and other specifications required for a contractor to examine the systems and provide data required. Solicitation was made in April and a contract was awarded in July 1977 to a CPA firm.

(2) Review of the contract disclosed that the contractor must determine if maximum use is being made of computer technology and source data automation techniques, if the accounting and fund control organizational structures are sound, if management information demands are being satisfied at all levels; and if the systems are in compliance with GAO's accounting principles and standards. According to the milestones included, the contractor is not required to submit a final report until July 1979.

(3) Based on the extended two year period for completion of the contract requirements, it is not possible for the study group to ascertain the magnitude of the impact on the security assistance program. Due to this, however, completion of the APARS including the PFCS, and of the ACOCS should be expedited.

f. Financial Management Personnel.

(1) The summary report of 20 October 1976 by the Financial Improvement Implementation Study Group regarding the FMAC recommendations details numerous actions taken to improve the quality of financial management personnel. Review of actions taken indicate that many improvements have been made concerning requirements for selection of comptroller personnel and training.

(2) Although current regulations provide for management of funds and budget execution by appropriation directors, the actions taken do not indicate whether these financial management type personnel are required to have similar educational and other requirements as those for comptroller positions.

(3) Neither the FMAC report or actions taken provide a definition of "professional" financial personnel, i.e., whether there is a requirement or a desirability for personnel to have a graduate and/or advance degree in accounting or related subject to be eligible for any financial type position on the DA staff or that of the MACOMS.

(4) Additional improvements could be made in the professional competence of financial management positions by identification of all financial type position on the DA Staff (including those in Appropriation/Program Directors' offices) and those of MACOMS, and making a determination as to which positions should it be required/ desired to have higher education, i.e., a graduate or advance degree in accounting or related subjects.

#### Section V. Findings and Conclusions

24. The Centralized Integrated System for International Logistics (CISIL) and the Army Procurement Accounting and Reporting System (APARS) systems, as implemented, do not accomplish required control and are not adequate by themselves to control, account for, or provide the requisite management information on the Army's overall security assistance program.

25. CISIL is primarily a logistics system; attempts to maintain financial control of FMS cases through CISIL have proven to be less than satisfactory. Due to the transfer of the trust fund, the financial module of CISIL was obsolete and could not be implemented.

26. Continued plans for modification of existing systems is not a substantive solution to effectively establish improved financial control and gain required GAO approval.

27. Trust fund obligation authority is issued by SAAC to USAILCOM for FMS cases. USAILCOM does not have a general ledger control system to control and monitor the use of obligation authority.
28. USAILCOM does not have a procedure or system capability to record and report FMS transactions by Army performing appropriations.
29. Reconciliation procedures are weak to non-existent between SAAC, USAILCOM, NICPs and other MACOMS/Agencies involved in security assistance transactions.
30. DARCOM/SAAC procedures for processing advances and liquidation of advances have caused significant delays at MSCs in identifying and crediting the proper Army appropriations.
31. The US Army Finance and Accounting Center (USAFAC) pays the DOD transportation agencies (MTMC, MSC, MAC) for FMS transportation costs. Reimbursement is received from SAAC, based on delivery bills from the field. USAFAC does not have a system to identify differences between amounts billed and amount of reimbursement at the case level.
32. Army has expanded its use of direct cite for FMS transactions.
33. COA is developing systematic procedures to tie together the issue of FMS obligation authority and funded reimbursement authority.
34. COA is making the maximum use of contractor support for FMS systems design.
35. COA is developing a mechanized system to centrally control the issuance of funded reimbursement authority.
36. DARCOM, in coordination with the Implementation Team for Financial Management of Army's FMS Program, is developing a system for general ledger control of trust fund obligation authority which will centrally control FMS obligation authority.
37. DARCOM had not implemented Supply Support Arrangement provisions of AR 37-38. (While implementing instructions have been issued by HQ DARCOM, they have not been implemented by MSCs as of 31 October 1977).
38. Failure of SAAC to clear interfund transactions on a timely basis could impact on Army's ability to effect case closures.

39. Non-clarification of military agreements and unsuccessful settlement of reimbursement for all costs provided for in the agreements for mission members in Latin American could result in embarrassment to Army and in the USG's relations with the countries involved.

40. COA is not staffed or ADP equipped to properly manage detailed data in the IMET program.

41. There are ambiguities in Army regulations concerning staff responsibilities for financial management functions.

42. There appears to be duplication of functions between COA and Appropriation Directors in the areas of reprogramming actions, evaluation of ICAR/APAR reports, and issuing/controlling fund releases.

43. TASAPS supports the Financial Management Advisory Committee's conclusion that improvement of the professional capability of the financial management staff could significantly improve the financial management of the security assistance program.

#### Section VI. Recommendations

44. Expedite implementation of the Army Program Fund Control System (PFCS). (COA)

45. Centralize the control of trust fund obligation authority with USAILCOM Comptroller. (Executive Agent)

a. Place under general ledger control.

b. Implement the Army Customer Order Control System - FMS (ACOCS-FMS) as the general ledger control system.

46. Expedite implementation of ACOCS-FMS and integrate with the DA Program Fund Control System. (Executive Agent)

47. Consider reconciliation and reporting requirements in PFCS and ACOCS-FMS system design and in all modifications to existing systems. (COA/Executive Agent)

48. Continue to utilize contractor support in development of financial systems and modifications of existing systems when in-house capabilities are not available. (COA)



49. Request authority to use automatic reimbursement procedures for all FMS customer orders (PFCS and ACOCS-FMS provide for adequate control of Army's customer order program). (COA)

50. Improve trust fund advance and billing procedures to readily identify the Army appropriations being reimbursed and the liquidation of the advances. (Executive Agent)

51. Implement the Supply Support Arrangements provisions of AR 37-38, as revised by COA instructions. (Executive Agent)

52. Continue efforts with DSAA to eliminate the Army appropriations from the funding channel for over ocean transportation. (COA/DCSLOG)

53. Continue current billing procedures for six months. Analyze billing system at the end of this period to determine the adequacy of this system vs validation of all bills at USASAC prior to submission to SAAC. (Executive Agent)

54. Establish a system to ensure that all interfund transactions are cleared between the payee (SAAC) and the seller (Army). (COA/DSAA)

55. Resolve military assistance mission agreements with Latin American countries concerning reimbursement of costs. Establish proper accounting procedures to ensure correct billing and reimbursement for all costs. (COA/ASD(C)/MDW)

56. Establish central financial management of the IMET program at HQ TRADOC. Allocate funds to TRADOC for this purpose. (COA)

57. Clarify regulations which contain ambiguities on staff responsibilities for financial management, and eliminate duplication in staff responsibilities. (COA)

58. Intensify effort to improve professional capability of financial management personnel on the DA Staff and MACOMS through job classification, personnel selection, and education requirements and programs. (COA)

## CHAPTER 15

### MANAGEMENT INFORMATION/DATA

#### Section I. General

1. The sheer magnitude and complexity of the Army Security Assistance Program in terms of annual dollar volume, transactions processed, numbers of performing agencies, countries served, required records and audit trails and the resultant demand for information and management reports makes mandatory the maximum use of a computer based system. Of equal or greater importance is that the automation adopted be designed as a centralized and integrated system. With any lesser system, there is no way of meeting the required capability of providing roll-up data at the case, country, and program level. Briefly, without a Master Data Record the Army loses the capability of control and the foreign government loses their single central interface with the Army's security assistance infrastructure.

2. There are a significant number of essential central management services that cross performing commands and agencies and cannot be aligned on a pure line or case proponent basis. Under a decentralized concept, each participating command or agency would have to replicate all or at least a portion of these services and the associated master data records. This would entail a tremendous resource commitment as well as a highly redundant and inefficient systems approach that would still lack a roll-up capability. Anytime there would be a demand for country or program level information, which occurs continually, it would be necessary to poll every activity supporting the Army's program and then process and integrate the data for presentation.

3. Other factors which focus on the adoption of a central, integrated system are the DOD directed control of requisitions, preparation of management reviews at prescribed intervals, status reporting, and processing of non-Army (DLA, GSA) transactions. Centralized control also heightens Army's responsiveness to an emergency or crisis situation such as in the case of an ordered suspension of a country's total program. Thus, it is only prudent that the control mechanism for a 20 billion dollar program involving 86 countries, and over 6000 active open cases that annually generated millions of transactions to be processed against over five million records be a centralized, integrated computer based system. To fulfill this vital need, HQDA has stipulated that the Commander, DARCOM maintain a central data base and serve as an Army focal point of record. The

inescapable requirement to perpetuate the Army's centralized master data base was the prime subject of TASAPS In-Process Review-I (IPR-I).

4. The Army's system, dedicated exclusively to the Security Assistance Program, is the Centralized Integrated System for International Logistics or CISIL. Four major management studies were the foundation of its design. General Functional System Requirement (GFSR) documentation was developed during 1969 and approved by HQDA in early 1970. It was designed, developed and incrementally implemented with the final module becoming operational in December 1976. It is the Army's focal point of record, capable of furnishing timely and accurate information that ranges from detailed data on a single requisition in support of a single case, up to a one line summary of a country's entire program.

## Section II. Controls

5. The overall control of Management Information Systems (MIS) resources within the Federal Government is shared by the General Services Administration (GSA) and the Office of Management and Budget (OMB). Their policies are promulgated in a series of Federal Property Management Regulations and OMB Circulars. In turn, Department of Defense (DOD) has implemented these directives with a corresponding series of DOD Directives and Instructions. Within Army, ASA (IL & FM) is the Senior Policy Official for the ADP program and the Director of Army Automation is responsible for development of program objectives and related policy and procedures. The basic document for controlling the formulation, design, development, testing, evaluation, installation, operation, maintenance, and review of Army Management Information Systems (AMIS) and their life cycle management, is AR 18-1.

6. Because the development and acquisition of ADP systems and equipment are extremely expensive and a long lead time proposition, they are tightly regulated to ensure that they are fully justified and cost effective.

7. Management Information Systems, regardless of functional orientation are subject to uniform control (documentation and review) procedures that are based upon system classification as determined by where the system will be operated and the number of man-years of development effort. There are no unique requirements for systems either dedicated to or supportive of the Army Security Assistance Program.

8. The direct oversight of a given or specific system is carried out to a large degree by its Functional Coordinating Group (FCG) which has the responsibility of optimizing the systems development and implementation. The Charter of Centralized Integrated Systems - International Logistics Functional Coordinating Group (ILFCG) is contained in DARCOM Memo 15-41. One of the methods employed by the FCG in discharging its responsibilities is the change control procedures of the configuration management process. For other than major changes, which require a GFSR, a system change request (SCR DARCOM-R Form 2107) is the vehicle by which proposed changes are evaluated to determine resources, time frames, impact on related systems or functional areas, to establish or propose priorities, and, if applicable, to project concurrent implementation dates. Additionally, there should be some interfacing between the Proponent Agency, Assigned Responsible Agency, users and other interested groups. System change control will be discussed in more detail in a subsequent section.

9. A related MIS control process employed by DARCOM is its Release Management Program under the purview of DARCOM-R 18-28. For applications within the Commodity Command Standard System (CCSS), functional subsystems or parts thereof are processed as a unit. As an example, there are presently 14 open System Change Requests on the control of FMS obligation authority (OA) that will be programmed into the OCCS System. To ensure that they will not have to repeatedly modify applications, the 14 SCRs are being batched in a Mini DFSR for control and efficient use of resources. Another aspect of the process is the prototyping by a selected command prior to release for proliferation.

10. Recently, DARCOM formed a senior Logistic Systems Review Board to review and approve for implementation, system change packages prepared by the applicable FCG. This board should substantially improve integrated program development between the Central Systems Design Agencies and the FCGs. Other forms of control, such as control of Obligation Authority, will be discussed throughout.

### Section III. Current Procedures

11. By definition, a Management Information System is an organized assemblage of resources and procedures required to collect, process, and disseminate data for the purpose of converting it to meaningful information for decision making in executing the management function.

12. By design, CISIL is an orderly aggregation of files, processes, and outputs that support the management functions of



the Army's security assistance program. Five of the ten processes or subcells were to reside in the CCS system as more or less corresponding subcells to those in residence in the USAILCOM computer. In March 1977, the ILFCG took formal action to either cancel, place under review or suspend several of the applications within the CCSS subcells. The systems outputs fall into the five broad categories of program control, materiel requisitioning, supply/shipping status, receipt and lift data, and financial management. These outputs are the products of six master files plus a number of subordinate data files. The outputs segment of the CISIL system will be expanded in some detail later in this chapter.

13. Program Control. The focal point between the foreign customer and the performing activities is the USAILCOM (NCAD). Program Control (via the CISIL) is exercised from inception (the negotiation phase) through final case close-out. As letters of request or offer are prepared and processed, pre-case suspense type information is recorded and monitored in an Letter of Request (LOR) subroutine. Upon acceptance, signed sale cases are transferred from the pending case file to the master program record file. At that point the 1513 is loaded, line for line, to build the master program record. Virtually every case, whether it is a defined line, dollar line, or Blanket Open End is supported by a significant number of requisitions. It is the requisition, which is prepared or partially prepared, edited, validated, recorded, routed and controlled by USAILCOM, that establishes the materiel requirements to support approved sales or grant aid cases. It is also the basic means for controlling performance, tracking status, maintaining an audit trail, and defining the financial claim. These manipulations are the product of a series of interacting processes that comprise up to 10 million transactions annually. When the full value of all goods and services has been delivered and billed, the case is closed and transferred to the history portion of the master file.

14. Principle Interfaces.

a. CISIL interfaces fall into two categories: system interfaces and procedural interfaces. The key system interfaces are with the Security Assistance Accounting Center (SAAC) and the DARCOM Inventory Control Points (ICPs). The interface with SAAC is, in reality, a dual interface as it also serves as the primary conduit for Army data/transactions that are fed into the Defense Security Assistance Agency (DSSA) 1100 system. This dual arrangement begins with the resolution of pending cases and continues through case completion. This particular interface will be covered in greater detail during the description of the billing

process. Interfacing with the ICPs is distinct from other performing commands or agencies since they are the Item Managers of the Army furnished Major Defense Equipment (MDE). These items are processed through the Army Procurement Appropriation (APA) and subject to Funded Reimbursement Authority (FRA). Other articles and services such as concurrent spare parts (CSP), training, or publications that are furnished by other supporting activities are largely derivative of the MDE sale and are more or less limited to interfund or automatic reimbursement.

b. Procedural interfaces with related systems are achieved through the various military standards that have evolved over the years. The uniform codes, standard data elements and transaction formats of MILSTRIP, MILSTAMP and MILSBILS facilitate compatibility and exchange of data with other applications or systems. In fact, this is such an extensive source of master program record data, that CISIL is viewed by some as a bleed-off of these standard systems.

#### 15. Billing.

a. For years, the Army, through various mechanisms, performed its own Trust Fund Accounting and related billing application. FMS billing is somewhat of a misnomer. In reality, bills are issued to the foreign customer and the Army receives either advances or reimbursements. Bills from contractors, interfund transactions, bills to customers, and reimbursement actions are all also commonly referred to as bills. In January 1976 the services were instructed by DSAA to convert to a standard billing Form DD 645. It was successfully implemented in the Army only after considerable and extended processing difficulties. Just as a full performance level was being reached, the Deputy Secretary of Defense (DEPSECDEF) issued a memorandum on 9 September 1976 that centralized all FMS billing at the SAAC in Denver. It was the Deputy Secretary's belief that centralization would yield more efficient management and a billing system more responsive to DOD and recipient countries. Significantly, the DEPSECDEF's memo did not in anyway address how the services would operate internally or interface with the SAAC.

b. There is substantial misunderstanding as to what the actual role of the SAAC is and what the residual Army program responsibilities are. Basically, SAAC took the Army out of the Trust Fund or banking business (administrative fee management, cash collection, and billing the client). In short, SAAC is strictly a financial fiduciary activity. If a client wishes to check on an article or service related problem, he must deal with the appropriate manager within the respective service. It

is the Army that owes a stewardship to the foreign clients to account for the goods and services contracted for and DOD will not and cannot run the audit trail through Army activities.

c. The financial records of Israel, Saudi Arabia and Iran were transferred to SAAC during November 1976 and SAAC assumed servicing responsibility for all FMS billing to foreign customers on 1 January 1977. Concurrently, DARCOM directed its Commodity Commands to route their billing and delivery transactions direct to Denver and to furnish a near image card to USAILCOM (NCAD). To minimize the turbulence to other performing commands, as a then intended interim measure, USAILCOM continued to process and reformat their bills before sending them to the SAAC. It was this lack of uniformity in billing operations that prompted the Deputy COA, HQDA, to request TASAPS 77 to evaluate and make recommendations regarding the billing situation.

d. Following exhaustive analysis of the alternatives, the study group concluded and recommended that immediate action be taken to reroute all billing and delivery transactions through USAILCOM for edit and validation before being dispatched to SAAC. This finding and recommendation was based upon several factors. First, the SAAC employs only minimal edits. If the billing transaction (other than a progress payment) can be matched simply to case identifier and funds remain, Army is reimbursed and bills are sent to the foreign customer. This type of production does not correct for errors related to pricing variations, quantities shipped, duplicate bills, or other type errors which have occurred in large numbers. In contrast, the previous edit routine used by the Army checked for these types of error conditions, as well as for a large number of others, conditions in order to eliminate errors before billing the foreign customer.

e. It was forecasted that eventually these deficiencies would flow to the Army for resolution, a task that is daily being made more difficult due to the lack of a cross-check of financial data against logistical data in advance of customer billing. It is not just the billing data to the foreign customer that is being distorted. These inaccuracies are being perpetuated in the DSAA, SAAC, and Army data bases and in the reports produced therefrom.

f. After one year (9 September 1977), OSD requested Army assistance in ferreting out the massive number of duplicate Army bills that have now permeated the system. The reason for soliciting Army participation in this clean-up operation is the acknowledged lack of logistical data required to validate the finance



claims - the prime purpose that compelled the study group to propose a central Army pre-validation.

16. Control of Obligation Authority.

a. Transfer of the trust fund to the SAAC carried with it the need to control Army obligations against the fund. FMS cases can only be implemented after advice of obligation authority (OA) is received from the SAAC. This authority is furnished to USAILCOM (NCAD) for the materiel (or services) value of the case with the accessorial and administrative charge portion of the case being withheld at SAAC. Allocation by USAILCOM to the performing commands or agencies in proportion to their segment of a case allows them to incur obligation within the specified amount prior to the receipt of monies needed to liquidate such obligations.

b. To facilitate this requirement, an automated, card oriented recording and control application was developed for operation within the CISIL system. All requisitions released since 1 March 1977 (less SSA requisitions) have been supported by a corresponding individual OA transaction. If the performing command is unable to execute the requisition at the price specified, it must originate a response/advise transaction for what adjustment in OA is needed. After reducing the balance available for obligation against the case which the requisition supports, a confirming transaction is routed to the performing command. As designed, this application will significantly increase the transaction volume of the system. It is estimated that it may generate as high as two plus transactions per requisition.

c. To bring the control mechanism into balance, NICPs were to report (transaction for transaction), using the response/advise format, all open requisitions that were released into the program prior to 1 March 1977. The lack of an automated capability at the NICPs caused delays and difficulty in meeting this request. It is interesting to note that roughly one out of every three requisitions that were reported as being "open" by the NICPs were carried in the CISIL files as being either canceled or closed by billing action. This and related conditions will be discussed more thoroughly in addressing data base maintenance and systems support.

d. As yet, a corresponding FMS OA application has not been installed in the CCS system. There are approximately 14 outstanding SCRs that relate to OA control and it is estimated that they represent 84 man months of design and development effort. Under the current work plan for allocating resources and directing



priority of effort, these SCRs are projected for completion in June 1978. This lack of concurrent software release tends to foster individual fixes to accommodate interim condition in what is otherwise a Command Standard System. In effect, everyone has to design their own bridges or operate in a manual mode.

e. While systems must be dynamic overall, there is also a need for some degree of stability if they are to function properly and efficiently. The history of CISIL has been marked by constant turbulence, often in the form of directed major program changes. The rapid growth and changing complexion of the security assistance program has forced many of these conditions, but others seemingly could have been approached in a more orderly or deliberate manner.

f. Representative of the latter category of changes is the Assistant Secretary of Defense Memorandum of 17 June 1977, subject: Financial Management of the Foreign Military Sales Program. This memo, which expands upon the OA control process, directed implementation by 30 September 1977. Ideally, financial changes should be geared to the start of a fiscal year, but the magnitude of the functional considerations as well as the system requirements are prohibitive in this situation. In effect, it redefines what an order is, requires stratification by appropriation, a breakout by what is actionable in a given FY, as well as the control and reporting of obligations.

g. Because of its scope and impact, HQDA has established an implementation team which is charged with identifying required changes in existing systems, isolating new system requirements and formulating a resulting action plan. The initial concept proposal entails as a minimum:

- (1) Development of at least one new operating system and data base (Army Customer Order Control System) and a large scale additional module to the Program Fund Control System (for FMS customer orders). (The files must link in the case of Army Procurement Appropriation supported requisition.) They will be contractor developed and operated, but are scheduled for delivery at a widely separated interval.

- (2) Revisions to CISIL and CCSS applications of yet undetermined scope.

- (3) Creation of automated general accounting ledgers.

- (4) Capture and reduction of tremendous quantities of new data.

(5) Expansion of system and procedural interfaces.

h. As with almost any integrated system, one set of functional needs are often addressed without full and careful consideration of their impact on the other functional operations of the total system. An action taken to improve one area frequently can be highly disruptive in unsuspected areas. As yet, neither actual servicing responsibility nor the functional system descriptions needed to permit detailed planning or design of the above described concept have been directed.

i. Pending the issuance of firm guidance and program direction, critical resources are being expended on the maintenance and reprogramming of software that may be obsolete at time of completion. In a sense, it is difficult to get efforts turned off or on.

j. While Army is still perfecting its first attempt at control of OA and has an expanded financial control package in the planning state, the SAAC is attempting to promote a Defense Integrated Financial System for Foreign Military Sales. A system synopsis of the design and operating methodology was presented to the services on 16 and 17 August 1977.

k. In total, transfer of trust fund accounting, a revised billing procedure on top of a new billing process, OA control and other lesser conditions have collectively all but destroyed the financial sub-cell of CISIL. While this sub-cell is a worst case proposition, it was elaborated on because it illustrates the pattern of severe havoc that has disrupted the entire system. External demands, competing requirements, resource limitations and a lack of expertise have almost continually hampered the system.

17. Data Base Maintenance.

a. The key to every MIS is a sound and positive approach to the maintenance of the data base. Data base maintenance is defined as the execution of those actions required to control inputs, valid data, perform prescribed cycles, conduct error solutions and past records and files to permit the transformation of data into meaningful information in a timely and accurate manner. The "garbage in garbage out" cliché sums up the alternative. Within CISIL the number of files, record lengths and transactions volumes cause this function to be a sizable task.

b. The incremental transfer of case files and the redirecting of billing transactions (to include a large float of in process transactions) caused a lengthy hiatus in the processing and posting of key billing transactions. Image bills (which represent delivery data also) were completely held out of the system at NCAD for almost six months. Because of processing limitations SAAC was compelled to force Army bills through their system. For similar reasons the Army had to relax normal edits to get data into the master program data record. These measures materially affected both the timeliness and accuracy of the CISIL data base. Arbitrarily established time constraints relating to development of implementing procedures and effective dates of transfer of servicing responsibility contributed greatly to this almost instant degradation of the data base.

c. Recognizing the need to restore discipline to the data base and to be in a favorable posture for year-end reporting, USAILCOM initiated an effort entitled "Project Update". So far the emphasis has largely been on the processing and posting of image delivery transactions and its confirming feedback transaction (FK tapes) from the SAAC to the records. Purification of these transactions to date has not been a priority action.

d. Because of routing and cycle frequency, confirming FK tapes from SAAC will normally be 45 to 90 days behind image transactions. As of mid-September the latest FK tape furnished to Army was June (7706) 1977 and contained transactions that were mailed to the SAAC during the period 10 May and 10 June. After posting of all available image and FK data from November 1976 through mid-September 1977, nearly 30 percent more FK transactions have been processed to the USAILCOM Master Data Records than there are corresponding images. This suggests that either thousands upon thousands of stacked, old bills were transferred to the SAAC or that images are not being received for better than one out of every four bills. This is indicative of the type conditions often encountered when operating in a post-post mode. Additional development of the data base maintenance situation will be covered in Section IV of this chapter.

#### 18. Hardware and Systems Support.

a. The CISIL system is run in a multiprogramming mode on a Control Data Corporation Model 3300 main frame. This configuration is considered by Program Management officials to be saturated and they have initiated an Appendix I to 18-1 for the acquisition of additional specified ADPE. The configuration being requested is a second 3300 with 286K and a full set of peripherals. For the six months preceding the preparation of

the Appendix I, production averaged 667 hours per month (down-time and preventive maintenance accounted for the remainder of the possible 720 hours). In addition, workload has forced the occasional cancellation of cycles and has impacted on the availability of test time for application software.

b. Although this ADPE is dedicated exclusively to USAILCOM's CISIL system, it is housed in and operated by the NCAD Data Processing Installation. The executive operating system is the SPEDEX network maintained by the Logistics System Support Agency (LSSA). The application software that is resident in CISIL and CCSS is developed and maintained by USAILCOM and ALMSA respectively. This arrangement works relatively well but does increase interface and coordinating requirements.

19. System Outputs.

a. The pay-off for an MIS is the dissemination of meaningful information to sustain day-to-day operations and to facilitate decision making. CISIL produces some 400 recurring outputs at prescribed intervals.

b. One of the underlying inferences by the study group was that it had to know or determine what the information needs of operating officials and managers were at each tier of the hierarchy. Normally, this is expressed in the General Function System Requirement, the first step in the design and development of a system. From then on, what information is required must come from the system. Based upon the above premise, a first analysis was structured to assess what information is available, what is required and what, if any, are the net differences. Information available was readily accessible from the systems reports register and an examination of the products provided a first hand evaluation of their quality and usefulness. As is almost universal, the difficult aspect of the analysis is with the ability of the user or proponent to define or articulate his information needs.

c. Insofar as information needs are concerned, the further removed from the main stream the more pronounced this condition becomes. It is a matter of, "I'll know it when I see it." After three sessions with a senior official at the corporate management level of HQDA, the closest to identifying any specific information needs was a reference to a periodical review of how well the job was being done relative to what the official above rates the Army on. This was further sharpened by citing delivery (on-time) and pricing (increase) data. None of these types of information are



particularly translatable to the policy responsibilities recognized as being the domain of HQDA.

d. Conversations with knowledgeable staff personnel of this element revealed that they had been working at intervals over the last year and a half to codify information needs, but had not made much headway. Their main effort and achievement had been a series of performance measurement charts. Additionally, a discussion with representatives of DSAA did not exactly substantiate what the Army official perceived as the key rating indicators or where management emphasis was needed and what information data supported program management.

e. At the HQDA Staff level, instances were encountered when legitimate information needs could easily be satisfied by the automated system (established recurring reports); unfortunately action officers were denied access because of the notion that detailed data was not pertinent to their role and its presence would only invite further inquiries. Notwithstanding that, the action officers are being compelled to delve into details without benefit of direct access to the information needed to support their efforts.

f. Corporate management data needs often may not be the direct products of the MIS, but can be derived from (or systems supported via interruption and manipulation) the data by functional proponent agencies. In reality, major policy and major administration issues should be surfaced (for either information or solution as appropriate) by HQDA and DARCOM/TRADOC respectively.

g. Within the logistics community there is an abundance of useful operating and management information. However, the CISIL system is far less sensitive to non-material oriented cases. A key product of the system is the recently revised 1395 report which is comprised of 37 parts that array a wide range of logistical and financial information at the line item level of detail as well as in summary form. Parts 1 through 9 (of the 1395) are geared to satisfy information needs within customer countries as well as those of US users. The predecessor of this product was the old DA 1100 series.

h. To ensure adequate consideration of field information needs, a message was sent by TASAPS to Army elements requesting that they identify all security assistance related data reports they used to include identification of preparing agency, frequency, validity, usefulness and the need or desire for any new data reports. Approximately half of the addresses responded

and voiced general satisfaction with Army generated report products. One frequently cited comment pertained to security classification of reports which tended to restrict their potential. This field assessment was substantially completed prior to the initial distribution of the 1395 report series. Its availability should further improve the ability to meet field program information needs.

1. Recently, USAILCOM expanded into soft copy products by installing and activating a Fast Text query system that operates in a secure mode between Letterkenny Army Depot (LEAD) and the DARCOM Headquarters building. The system is comprised of five independent files and provides for 60 preprogrammed as well as unstructured queries. Update data is extracted daily and transmitted to LEAD at 0200 each morning by courier. The system is up during normal duty hours five days a week but could be activated at other times and for extended periods during emergency situations. Consideration is being given to mini front-ending the query system which would permit file linkage.

#### Section IV. Analysis of the Current System

20. The 1975 study group cautioned that CISIL was being heralded as a panacea. It has not, by any means, measured up to earlier expectations. Much of the shortfall, however, can be attributed to conditions over which the system designers and operators have had little, if any, control.

#### 21. Billings.

a. It was predicted during the In-Progress Review on 11 May 1977 that the foreign customers' response to the billing situation would be loud and strong. The first reaction was from the Federal Republic of Germany (FRG) when it surfaced what they suspected to be 2000 discrepancies relating to duplicate bills, quantitative differences between materials received vs billed, and other related problems. The FRG directed this complaint to the SAAC and the SAAC recognized the inherent system's implication on the conditions cited and that they would undoubtedly apply to other FMS recipients. Subsequently, the governments of Israel, Iran, Canada, Austria, and Denmark have all expressed serious concern over the large number of duplicate billings for Army FMS deliveries.

b. It was believed by the study group that front-end pre-validation of Army delivery input (as a central focal point, where financial and logistical data would be matched), would eliminate the type of discrepancies cited. The reasoning DARCOM furnished

for not adopting a front-end application was cash flow in the performing accounts. The concern is that bills and reimbursement would be delayed while the quality of bills may not significantly be improved. While cash flow is a critical consideration, it should not be adversely affected by prevalidation.

c. Advance payments, which cover the large scale procurement actions would be uninterrupted as the only processing would be the recording of values against line and only if the line was over delivered, would the transaction be rejected. This, incidently, is one of the few checks performed by the SAAC and for which they will reject a transaction. If it is done internally, however, Army would be aware of the condition one to 45 days sooner than if the dependence is placed on SAAC detection and would, in fact, better protect the procurement account. While advances account for the largest number of dollars, interfund bills account for, by far, the largest number of transactions. There is no waiting for reimbursement under interfund as payment is taken at the time the accounts receivable is established. The remaining category of bills (and transactions) is for procurement actions that are not under advance. This type of transaction may be susceptible to delay depending on the type of reject condition and what agency has error resolution responsibility. However, this could also be prefinanced.

d. A percentage of the duplicate bills and quantitative discrepancies cited by the foreign clients may, in part, be attributable to past system or program occurrences, but they are not exclusively a SAAC/Army transition phenomena and neither will they be self correcting. DARCOM ICP's are soon to begin billing upon receipt of a materiel release conformation rather than the current practice of billing after preparation of the materiel release order. This change should reduce the number of quantitative errors that are presently occurring. In addition, SAAC is planning to install limited editing that may be capable of detecting whether they have paid a given bill before, but would not identify bills previously paid by USAILCOM when it had Trust Fund accountability. Both of these measures will improve operations.

e. Conditions and turbulence associated with the Trust Fund transfer are beginning to stabilize and many of the procedural problems have been overcome. In the near future DARCOM should undertake a comprehensive examination of their interface with the SAAC to determine actual error rates, the source and cause of these errors and how best to reduce or eliminate them including the possible employment of an Army central prevalidation.

22. Data Base Maintenance.

a. Project update, while broad in scope, is so limited in application that it is almost a one-time operation. In addition, the project has focused almost entirely on getting data into the file and has all but ignored data base purification. It is not sufficient to merely record and report data in a MIS; it must be validated.

b. A systems philosophy that permits the known acceptance and posting of bad data that will have to be backed out of the system six to nine months later is not compatible with sound data base or systems management. The two procedures that will be relied upon to reverse billing/delivery errors is the Report of Item Discrepancy (ROID) system and a yet to be produced management listing (an error listing). The ROID approach puts the onus on the foreign customer to surface the error and is a long, after-the-fact affair. The other approach also only identified errors, but does not ensure their correction. Both methods are largely passive and lack systems discipline.

c. There is an acknowledged need to conduct some form of recurring reconciliation with the SAAC and the ICPs. Now that the NCAD records have been fully posted, this effort should be pursued more aggressively. Presently, it remains only a recognized requirement and neither the methodology, frequency or target date have been established.

d. Another data base related matter that is of an urgent nature is the clean up of so called 99 or 999 transactions in the SAAC files. These are Army billing/delivery transactions that contained either a blank or invalid case line number and were assigned a 99 identifier to force them through the SAAC billing system. It is reported that there are approximately 58,000 such transactions which would represent one in every ten feedback transactions that has been furnished to the Army. This ratio is the product of all FK transactions generated during the period Nov 76 thru Jun 77 and is as of mid-September 1977. Approximately 3700 of these transactions have been reversed in the Army central data base.

e. In all probability, line number errors have lessened and, in addition, SAAC has agreed to edit and reject future transactions that contain invalid line numbers. Thus, the emphasis needs to be applied to the clean-up of past errors that were accepted into the file. While a DARCOM message directed ICPs to credit the 99 line and create an additional transaction to debt the correct line, no controls or checks have been



established to ensure compliance. It is essential that follow-on action be initiated because the presence of a 99 line in any case will preclude its close-out as well as affect management reviews and reporting.

23. Hardware, Software and Systems Support.

a. The lower 3000 series of the CDC equipment line, while reliable, is not particularly powerful and often is regarded to be less than full fledged 3rd generation equipment. At best, the Appendix I action for the acquisition of specified ADPE is a stop-gap measure to overcome what is diagnosed as a capacity problem. By most standards, the CISIL hardware configuration is technically obsolete. It will not provide the storage or flexibility needed to achieve any substantial improvement in systems efficiency.

b. The CISIL system has existed under a constant state of agitation. Functional changes have been so frequent and so severe that it has almost become a system developed by default rather than by design. While a complete moratorium on changes is not practicable. Changes should be slowed down and their functional analysis should be more thorough so that multiple SCRs for the same requirement would not be as commonplace. System maintenance to accommodate regulatory and statutory change is unavoidable, but the Army should not, on its own volition, initiate any major design or redesign efforts on the existing CISIL system. The existing hard configuration will not support nor warrant the required level of effort. A redefinition of the entire functional requirement would be more appropriate. In short, a dual track approach that provides for minimum maintenance and modification to the existing system and concentrates the bulk of effort on totally fresh design should be pursued.

c. It is recognized that, within the DARCOM hierarchy of systems, the CCSS is the superior and dominant member. Notwithstanding, a higher priority and additional resources are required for the CISIL system. With FMS accounting for more than 40 percent of the total DARCOM business, an increase in systems emphasis appears fully justified.

24. Reports and Output Products.

a. The CISIL system is fully capable of meeting most if not all systems related MIS needs. There are presently some 400 recurring final outputs being produced by the system. An extensive management review to determine validity, possibility of elimination, or consolidation, adjustment in frequency or new

information needs is now in process. It is projected that as many as 100 outputs may be eliminated. A significant number of these 400 outputs are internal housekeeping products prepared in single copy and should be subject to very critical examination, both as to need and media. This type of output (card decks and 80/80 listings) have a tendency to be perpetuated in spite of design, operational, and procedural changes that render them largely obsolete.

b. Output media is also an area that should receive expanded emphasis.

(1) Computer Output Microfilm (COM) was cited in the early study and design documents of the system, but has not been adopted. COM is becoming so prevalent that today almost every user has a full complement of viewers and related COM equipment. LEAD could easily assume the servicing responsibility for COM recording. With the existing daily courier run to LEAD, this arrangement would be a natural relationship.

(2) The system should also be more interrogation oriented. The query system is an important first step, but is presently too limited in scope and application. Many of the housekeeping products are prime candidates for conversion. Expansion would also permit tailoring of reports without disruption or increased cost in standard reports.

#### Section V. Findings/Conclusions

25. The CISIL system is capable of meeting most, if not all, MIS requirements. This is not to say all needs are currently being met or even being satisfactorily addressed. Better dissemination of availability of products and post production handling and control would improve user acceptance as well as the utility of the product.

26. The CISIL system is less sensitive to non-materiel oriented cases.

27. Large numbers of duplicate bills, quantitative errors, line number errors, and other delivery/billing type errors have surfaced in the SAAC/DSAA and CISIL systems.

28. Methods for error detection are being improved, but error correction remains passive and lacks positive control.

29. Excessive turbulence and low resource priority have hindered systems capability and performance.

30. CISIL hardware and software have reached or is rapidly approaching technical obsolescence.

#### Section VI. Recommendations

31. Continue to operate a centralized integrated computer based management information system and maintain the office of record for the Army Security Assistance Master Program Data File. (USASAC)

32. Require other performing commands and agencies input all required data to USASAC for inclusion in the Army Security Assistance Master Program Data Record. (DARCOM)

33. Place more emphasis on data base maintenance and stress accuracy of data on an equal basis with timeliness of data. Recurring systematic reconciliation with the SAAC and ICPs must be a part of this effort. (USASAC)

34. Establish positive control over ICP/performing command generated error transactions to ensure correction and reentry. (USASAC)

35. Analyze delivery billing errors to determine volume source and cause and undertake corrective action not later than the end of calendar year 77. Corollary to this recommendation is that USASAC assume full responsibility for the accuracy of all Army case-related delivery/billing transactions. (DARCOM)

36. Following implementation of security assistance organizational and functional realignment by the HQDA staff reassess the management information needs of HQDA elements to ensure they are compatible with revised roles. (ADCSLOG w/USASAC)

37. Devote additional ADP resources to the maintenance and enhancement of the CISIL system. These resources must be allocated so that only absolute minimum essential maintenance be performed on the existing application software and the full scale urgent effort be concentrated on a replacement system. (DARCOM)

38. Design a replacement computer based system which capitalizes on the centralized concept of CISIL, but embraces new hardware, applications software, system procedures and management practices. (DARCOM)

## CHAPTER 16

### ORGANIZATION FOR PROGRAM MANAGEMENT

#### Section I. General

1. **Introduction.** The Army functions for security assistance encompass training, services and materiel. The Army receives demands for these in fulfillment of nationally approved international commitments. The decisions to sell or provide goods and services are within parameters established at the national level with DA expressing its view, as required, on the impact of proposed sales or grants. Once the decisions are made, however, DA executes them.
2. The actions required to support the program are of such magnitude and are so intertwined with and reliant upon the Army's own infrastructure and systems, that a revolutionary way of meeting security assistance requirements would not be feasible. Accomplishment of these actions requires crossing of functional lines within the DA Staff and within and between field commands and agencies. This, plus the need to interface with the foreign clients as separate entities, combine to require unique organizations to interface with the customer and to superimpose requirements upon the vast infrastructure. The Army's current organization has evolved over the years as the program has expanded and changed from a Grant Aid program to one where the foreign customer is currently buying in on the production of the latest equipment that is being introduced into the US Army.
3. The last reorganization of the Army to more effectively manage security assistance came about as a result of the 1975 study on Army security assistance conducted by Director of Management, OCSA. This study caused the formation of the Coordinator for Army Security Assistance (CASA) in the OCSA to increase visibility within HQDA. This office was designed to focus on major programs and problems and provide the mechanism to elevate, to the VCSA level, those decisions that required the highest attention. CASA also provided, within HQDA, a single point of contact for security assistance matters.
4. Meaning of the Term, "Security Assistance Program". In its charter, the study group was tasked to identify requirements for organizational interfaces of security assistance activities and to recommend an optimum security assistance structure and other management improvements. One of the first requirements



for the study group was to define the term, "Security Assistance Program". It was found that there really is not a security assistance program from an organizational and management standpoint, because there is no one major command or Army staff element clearly responsible for the overall program for either policy formulation or for program implementation, administration, and management. The term, "Security Assistance Program", simply represents the aggregation of all security assistance requirements for which Army has responsibility. The study group therefore defines the Security Assistance Program as:

"a compilation of all FMS and MAP commitments for materiel, training and services; and an amalgamation of all the actions taken in meeting those commitments."

The program is made dynamic by the continual influx of requests, changes to the requests, and the gradual fulfillment of individual FMS and MAP/IMET commitments.

5. Trend Toward Centralization of Management Control of the Security Assistance Program.

a. In studying the issue of how the Army should be organized to accomplish the security assistance mission, the study group first reviewed the history of organization and management as it has evolved over the past 25 years. Three facets of the program were identified. These are program control or management, program execution, and financial management. Following WWII and until 1961, the three facets were decentralized and performed separately by different organizations. Program control at the Army staff level was exercised by the Mutual Assistance Program Logistics Agency (MAPLA), a Class II activity of the DA DCSLOG. Program control essentially consisted of assigning priorities among recipient countries for equipment projected to be excess by the former Technical Services. Program control was simple because many end items were excess and did not have to be procured; therefore, they could be provided at an easily determined price. Program control by MAPLA was essentially issuance of MAP orders to one of the Technical Services who was responsible for total supply performance for that order and for interfacing with foreign clients on issues related thereto. MAPLA processed program deviations to increase the monetary ceilings of MAP orders to cover cost increases of supply actions already taken and the agency closed out programs based on post-fact copies of financial documents furnished by the autonomous Army Finance Office and on post-fact copies of supply/delivery documentation furnished by the Technical Services.

Supply control (program execution) was also fairly simple because most items were excess to the Army. This function was performed by a designated Technical Service.

b. Management of training during this period was accomplished by ODSCOPS and there was almost no coordination of training requirements with equipment deliveries outside of the DA staff. Coordination of the execution of the training program was delegated to the MAAGs in country. ODSCOPS tasked the various CONUS activities to provide either training in CONUS or personnel assets for in-country training where the requirements could not be met by the MAAGs or the unified commands. Financial management of the training program followed the same track as it did for the materiel program.

c. By 1961, several factors combined to cause changes to the Army's security assistance functional alignments and organizational structures. These factors were:

(1) The increasing requirement for new procurements to meet Grant Aid programs as excesses were exhausted and the introduction of FMS. This made provisioning a complete package (end items, ancillary equipment, and follow-on support) more complex, caused responsiveness to the customer to take on new meaning and gave rise to increased problems in financial management.

(2) The Army technical services were disbanded and commodity commands were formed under the Army Materiel Command. In addition, DSA and GSA also emerged as suppliers for MAP/FMS requirements. This further complicated the provisioning of a complete package as the commodity commands did not exercise the autonomy for the entire package that the Technical Services had exercised. The commodity commands, DLA and GSA were to prevent US Government duplicate procurements, but it served to complicate Grant Aid/FMS programs.

d. In response to these changes, the MAPLA was disbanded in 1962 and was replaced by the Mutual Security Agency (MSA) as a Class II activity under the newly formed AMC. The MSA performed most of the same program control functions that the MAPLA had performed except that a Security Assistance Directorate within HQ AMC performed the front end portion for FMS, i.e., it defined requirements in negotiation with the customers after sales had been approved. Supply control was performed by the Oversea Supply Agency (OSA), a Class II activity under the Supply and Maintenance Command (SMC) of AMC before SMC was amalgamated into AMC. The OSA cut requisitions for all items and routed them to the proper supply source. Financial management during this period was the responsibility of a finance agency under the DA Comptroller.

e. After SMC was absorbed into AMC, the MSA was disbanded and the International Logistics Center (ILC) was established in 1965 as a Class II activity under AMC. The ILC performed functions which had been performed by the MSA, OSA, and certain case management functions done by the commodity commands. This realignment resulted in program control and supply control being centralized at the ILC. The financial management function continued to be performed in an office under the DA Comptroller. However, billing documentation from supply activities was processed through the ILC for edit and validation prior to being forwarded to the finance office.

f. In December 1973, the financial management function was moved to the ILC, and for the first time, all three facets of the security assistance program were centralized.

g. In 1975, the ILC and the DARCOM International Logistics Directorate were combined into USAILCOM, as it exists today.

h. Concurrent with the above changes, roles and capabilities of MAAGs changed because of reduced personnel and injection of new equipment into client countries which required a closer coordination between the logistical managers and the trainers leading to the "Total Package" concept in 1975.

i. In summary, Figure 16-1 illustrates the evolution of the security assistance management structure (less training operations) of the Army. The centralization has resulted in USAILCOM being the "de facto" central data base for all elements of the Army's program.

6. To a large extent, the organization and management aspects of the overall security assistance program have been developed in Chapter 6, Logistics, of this report. This was done, not so much because the logistics or DARCOM part of the program is largest, but because the management structure has evolved around the system designed to manage the logistics part of the program. The USAILCOM management capability has been used to orchestrate the fulfillment of commitments among the responsible MACOMs and agencies and in superimposing requirements on existing Army systems. Many of the current functions of USAILCOM are 'de facto' in nature and there is no formal single point of responsibility for management of the security assistance program as a whole. Management responsibilities are diffused and split between the DA staff, principally DCSLOG-IL, and the field, principally USAILCOM.

**TABAPS-77**

## SECURITY ASSISTANCE BACKGROUND

PERIOD	PROGRAM CONTROL	SUPPLY CONTROL	FINANCIAL CONTROL
IMMED POST WW II PD 1961	MAPLA (DCSLOG)	TECH SVC	MILITARY ACCT DIV (COA)
1961-1965	MSA (AMC)	OVERSEA SUPPLY AGENCY (SMC)	
1965-1974	ILC (AMC)		FAOUSA (COA)
1974-PRES	SINGLE FOCAL POINT		

Figure 16-1 Evolution of security assistance management structure.



Section II. Management Problems Associated  
With the Current Organization

7. In reviewing the Army's organization for security assistance, the interfaces between commands and activities, and the functions performed, several problems of an organizational nature were identified. These have been developed in more detail elsewhere in the report but are summarized here:

a. Responsibility for the security assistance program (policy, implementation, administration, and management) is fragmented. There is no single program manager.

b. Duplication of effort among the DA staff, principally the CASA and the DIL, ODCSLOG; and between the DA staff and the MACOMs, principally between the DIL, ODCSLOG and the Washington office of USAILCOM for materiel cases and ODCSOPS, ODCSLOG, USAILCOM and TRADOC for training cases.

c. Multiple interfaces with the customer.

d. Lack of integration of materiel sales, training and other services below the DA staff level.

e. DA staff involvement in program administration.

f. Inefficiency and lack of responsiveness as perceived by DSAA.

g. Bypassing of Army by USASAALA by its charter and dealing directly with DSAA.

8. It was concluded early in the study that significant change at the performing command level (MACOM or commodity command) in the way security assistance requirements are met would not be feasible. This conclusion was reached because security assistance requirements are dependent upon the Army's own infrastructure and systems. The alternative to performing the various elements of the program within existing commands and systems would be to establish, from the ground up, a dedicated logistics, training, and services organization and management system. If the Army were just entering the security assistance arena, this would be the best solution. However, the resources required and the turbulence generated in adopting this type organization, at this time, render this solution not feasible. Therefore, organizational considerations become essentially limited as to how the HQDA staff should be organized and how responsibilities for coordinating

the imposition of security assistance requirements upon the large number of performing commands and agencies, and managing those efforts, should be assigned within and between the Army Staff and the MACOMS.

### Section III. Methodology

9. To analyze the problems identified with the current management of security assistance the study group developed the following methodology:

- a. Extensive review of all existing documentation; studies, policy papers, and regulations; visits to various commands, agencies and activities engaged in security assistance; interviews and briefing by the DA Staff participants, DOD and outside agencies, to determine "how it is now" and what is currently being done.

- b. A review of the levels of management and recommendations on responsibilities at each level.

- c. A systematic method of developing and evaluating organizational alternatives to develop the optimum structure for the Army.

10. The levels of management within the Army were identified as:

- a. The Secretariat
- b. The HQDA Staff
- c. The MACOM level
- d. The performing commands

11. The responsibilities of each level determined by the study are:

- a. Secretariat
  - (1) Policy development participant.
  - (2) International agreements.
  - (3) Army spokesman.
  - (4) Budget development.
  - (5) Broad financial policy.

(6) RDT&E negotiation/implementation.

b. DA Staff promulgation of policy issues that require development resolution by the DA Staff. (See ANNEX J - DACS-DM/TASAPS Memo to DAS, dated 31 August 1977, for a detailed discussion of the rationale.)

c. The responsibilities for operational level, MACOMS and performing commands, are:

- (1) Program development/execution/administration.
- (2) Furnishing of materiel, services and training.
- (3) Performing evaluation and analysis.
- (4) Munitions control.

See ANNEX K, Functional Responsibilities, for a detailed listing of functions extracted from current documentation that the study group recommends be performed at the various levels.

12. For the purposes of the study, the following elements of organizational analysis were developed to provide a systematic means of development and analysis of organizational alternatives.

a. Interface/Relationships

- (1) Within HQDA
- (2) With HQDA and MACOMS/Operating Command
- (3) With Higher Authority
- (4) With Other USG Agencies
- (5) With Other Military Services

b. Responsiveness (Accuracy, Completeness and Timeliness)

- (1) To Higher Authority
- (2) To Customer Country
- (3) In Emergency Situations

c. Point of Contact

- (1) For Higher Authority
- (2) For Customer Country
- (3) For Other USG Agencies
- (4) For Other Military Services
- d. Unity of Army Security Assistance Program
  - (1) Executive Management Awareness/Involvement
  - (2) Armywide Awareness/Support
  - (3) Total Package Concept
- e. Use of Resources
  - (1) Personnel, to Include General Officer Positions
  - (2) Facilities
- f. Use of Current Army Infrastructure
  - (1) Financial
  - (2) Logistical
  - (3) Transportation
  - (4) Data Processing
  - (5) Training
  - (6) Engineer Services
  - (7) Communications Services
  - (8) Medical
  - (9) Publications
- g. Program Development and Management
  - (1) Policy Formulation



- (2) Planning
- (3) Decision Making
- (4) Direction
- (5) Implementation
- (6) Execution
- (7) Financial
- (8) Management Information

h. Constraints

- (1) Legislative
- (2) Corporate Guidance
- (3) Procedural
- (4) Manpower Limitations

13. Because of the nature of the program, the functional interface between DOD, HQDA and the operational elements had to be developed. Figure 16-2 depicts the various ways that this interface could be accomplished.

a. Under Option 1, all policy and operational matters could flow through command channels from OSD to the DA Staff to the field and back through these same channels.

b. Under Option 2, Joint planning matters could flow from the Joint Staff to ODCSOPS and all other actions per OSD to the executive agent, then where appropriate, to the DA staff and OSD where resolution is required.

c. Under Option 3, Joint matters could flow to OSDCOPS; other policy issues and program approvals could flow from OSD to the Army Staff focal point. Operation matters could flow from OSD (TSA/DSAA) to the executive agent and then issues which arise could be passed up for resolution by DA Staff or OSD, as appropriate.

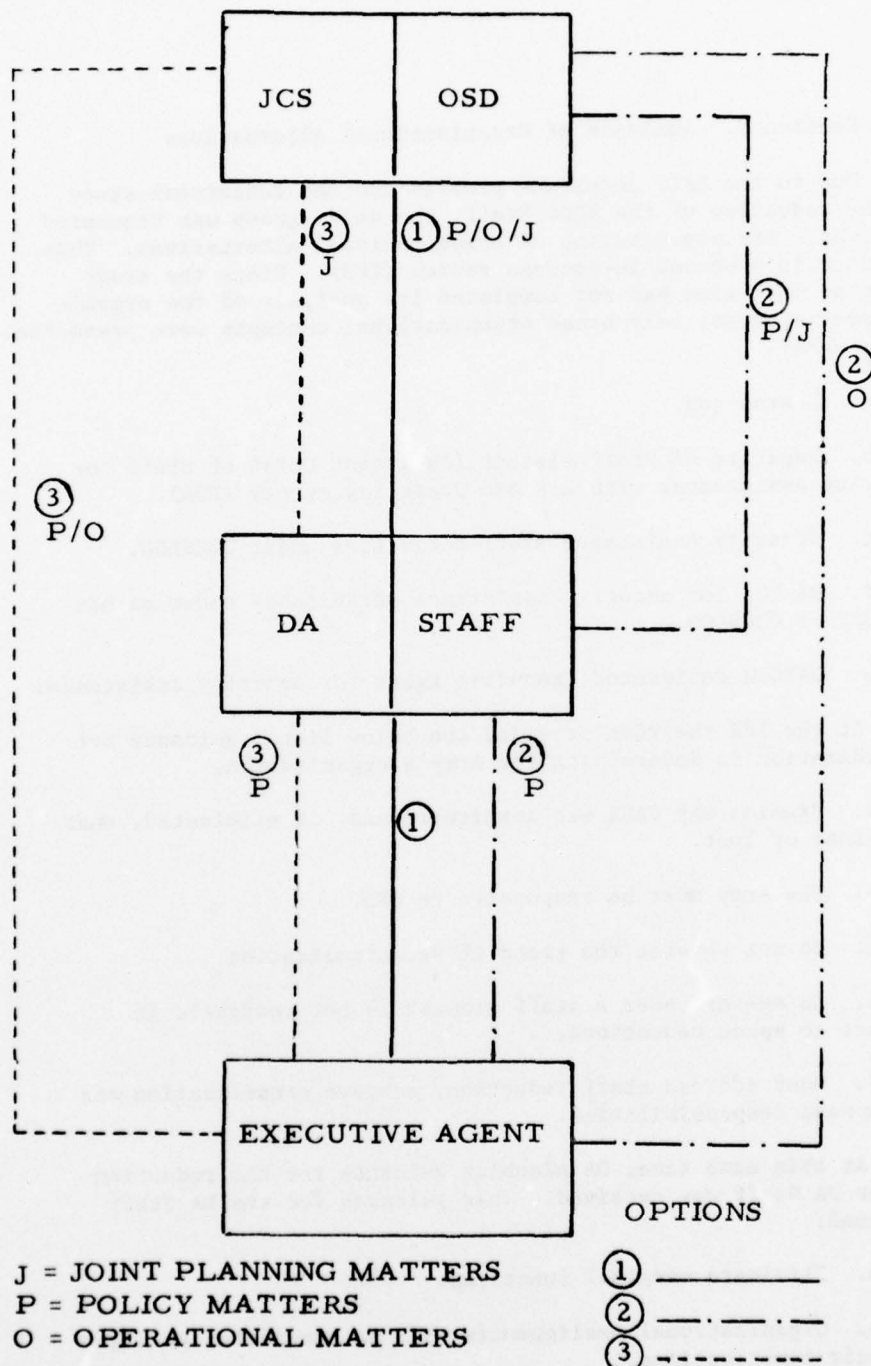


Figure 16-2 Functional Interface

#### Section V. Analysis of Organizational Alternatives

14. Due to the NATO interface problem and the concurrent study on the reduction of the HQDA Staff, the study group was requested to advance its presentation of organizational alternatives. This was done in a second in-process review (IPR). Since the study group at that time had not completed its analysis of the organizational aspects, only broad organizational concepts were presented. These were:

- a. Status quo.
- b. Separate DA Staff element (Assistant Chief of Staff for Security Assistance) with a Field Operating Agency (FOA).
- c. Security Assistance staff activities under ODCSLOG.
- d. DA FOA for security assistance established under either ODCSOPS or ODCSLOG.
- e. DARCOM designated Executive Agent for security assistance.

15. At the IPR the VCSA provided the below listed guidance for consideration in determining the Army's organization.

- a. Examine why CASA was instituted and, if eliminated, what is gained or lost.
- b. The Army must be responsive to OSD.
- c. Do not reverse the trend of decentralization.
- d. An agency under a staff element is not realistic if subject to space reductions.
- e. Must address staff reduction, achieve consolidation and not spread responsibilities.

16. At this same time, DA planning guidance for the reduction of the DA Staff was received. This guidance for the DA Staff included:

- a. Eliminate marginal functions.
- b. Organizational realignments will be considered in light of their contributions.

c. Functions can be transferred to MACOMS, field activities or newly formed FOAs.

d. HQDA personnel policies will be considered.

e. Operational functions and associated spaces can be transferred to MACOMS.

17. In addition to the above guidance, there was agreement among the staff representatives attending the organization IPR on the following:

a. A central data bank and management agency is needed.

b. An overlap of functions does exist between the Army staff and field activities.

c. Security assistance responsibilities cross functional lines at HQDA and between field activities.

d. Devising a revolutionary way of meeting security assistance requirements at the performing command level would not be feasible.

e. The DA staff must concern itself with the policy issues as identified by the study group.

18. After consideration of the above factors and an examination of all possible organizational permutations, the study group developed 27 probable organization alternatives for evaluation. The current problem areas which stem from the existing organization were identified in Section II, above. In addition to those factors, the study group identified the basic policy issues, e.g., diversions/withdrawals of materiel, significant personnel commitments, and release of technology, which must be handled by the Army staff. The complete list of policy issues and the responsible staff agency is addressed in ANNEX J. In addition, the internal and external organizational interface requirements and the need to effect manpower savings wherever practicable were identified. Following are the 27 alternatives considered:

a. Organization of the Army Secretariat

(1) Army secretariat as DA POC

(2) Army Secretariat with a CASA as DA POC

(3) Assistant Secretary of the Army for Security Assistance



- (4) Army Secretariat - Status Quo
- b. Army Staff Organization
  - (1) CASA in OCSA as DA POC - Status Quo
  - (2) Directorate for SA Policy in OCSA
  - (3) Directorate for SA Policy/Operations in OCSA
  - (4) ACSSA
  - (5) SA Actions Follow DA Staff Functional Authority
  - (6) ODCSLOG DA POC
  - (7) ODCSLOG DA Staff Proponent with all SA Staff Functions
  - (8) ODCSOPS DA POC
  - (9) ODCSOPS DA Staff Proponent with all SA Staff Functions
- c. MACOM/Field Agency Organization
  - (1) Status Quo
  - (2) FOA - all input/output flows to and from OSD through DA Staff.
  - (3) FOA - policy flows through DA Staff; operational matters direct with OSD.
  - (4) FOA - all input/output flows to and from OSD; policy matters flow from FOA to DA Staff.
  - (5) SA MACOM - all input/output flows to and from OSD through DA Staff.
  - (6) SA MACOM - policy flows through DA Staff; operational matters direct with OSD.
  - (7) SA MACOM - all input/output flows to and from OSD; policy matters flow from FOA to DA Staff.
  - (8) MACOM as Executive Agent - all input/output flows to and from OSD through DA Staff.

(9) MACOM as Executive Agent - policy flows through DA Staff; operational matters direct with OSD.

(10) MACOM as Executive Agent - all input/output flows to and from OSD through DA Staff.

(11) MACOM Functional Authority - All input/output flows to and from OSD through DA Staff.

(12) MACOM Functional Authority - policy flows through DA Staff; operational matters direct with OSD.

(13) MACOM Functional Authority - all input/output flows to and from OSD; policy matters flow from FOA to DA Staff.

d. Contract Security Assistance Management for the Army to a Civilian Firm.

19. Using the analytical process, the 27 alternatives were narrowed to five viable alternatives which provided distinctive methods for management by the Army. These were then subjected to detailed analysis to determine which would be the best solution within the guidance and constraints imposed.

20. On 28 July 1977 the study group pre-briefed IPR 3 to Army staff representatives and selected major commands. Recommendations relative to an optimum security assistance organizational structure were presented. The options selected for presentation as listed below reflected the guidance received at IPR-2. A description and advantages and disadvantages of each are provided at ANNEX L - Organization/Program Management Appendices.

a. Status Quo. (APPENDIX 1 to ANNEX L)

b. Director for Security Assistance in the Office of Director of the Army Staff, with FOA. (APPENDIX 2 to ANNEX L)

c. Director for SA in ODCSLOG with an FOA. (APPENDIX 3 TO ANNEX L)

d. Security Assistance MACOM. (APPENDIX 4 to ANNEX L)

e. DARCOM as the Executive Agent for Security Assistance. The Executive Agency would maintain a cell in the Pentagon to coordinate policy issues. (APPENDIX 5 to ANNEX L)

21. The study group recommended the option establishing DARCOM as the executive agent. During the discussion which followed the briefing, several attendees expressed a number of concerns relative to the recommendation. Due to the complexity, sensitivity and importance of this issue, it was agreed that the attendees would submit their views on the recommendation, and that the study group would use those inputs to reevaluate the proposed organizational structure. This was done. An additional alternative was developed which accommodated the Army staff and MACOM comments.

22. In developing the additional alternative, the Director of the Army Staff provided the following additional guidance:

a. Reduce general officer spaces in security assistance to: one, ideal or two, acceptable only if fully justified.


b. Operational functions and associated personnel spaces in the Army staff must be transferred from the HQDA Staff.

c. All actions must flow through the DAS for staff action control.

d. Provisions must be made to keep the CSA and VCSA informed.

23. The Army Staff and MACOM suggestions, as understood by the study group, were put in form, Figure 16-3, for analysis. The input did not clearly establish a consensus on the issues which they addressed, however most favored some form of a point of contact (POC) for security assistance as an integral part of the Army staff. There was also a near consensus that the point of contact should be under DCSLOG. There was little support for the establishment of a FOA. There was general agreement that DARCOM should take the lead in managing the program, either as an executive agent or modified to cover all actions except training, with TRADOC operating independently for training. The acting COA of the Army expressed concern that the effectiveness of USAILCOM is impacted by the division of that command between Washington and NCAD. The study group believes it is essential that some personnel of USAILCOM remain in the Washington area as a focal point for foreign embassies and to conduct day-to-day interfaces with DSAA.

24. On 25 August 1977 the study group presented the fourth IPR to the Army Staff. The Director of the Army Staff chaired the briefing. The study group made reference to the pre-brief of the third IPR and noted the guidance of the DAS at that time, as well as the written comments by the Army staff and MACOMs,



	DCSOPS	DCSPER	DCSLOG	DCSRDA	COA	ACSI	COE	TSG	TAG	CASA	PAGE	TRADOC	DARCOM
1. STATUS QUO	✓					✓		✓					
2. DSA ON STAFF W/FOA	X					✓		✓					
3. DSA IN DCSLOG W/FOA	X						✓						
4. SECURITY ASSISTANCE COMMAND	X												
5. DARCOM AS EXECUTIVE AGENT	X	✓	X							X	X	✓	✓
6. MODIFIED OPTION 3	✓	✓	✓	✓									
7. POC ON DA STAFF	✓		✓		✓		✓		✓	✓	✓	✓	✓
8. POC IN DCSOPS WITH NATO S/R	✓								✓	✓			
9. MODIFIED OPTION 2 (W/O FOA)	✓												
10. DSA OR DIA IN DCSOPS (W/O FOA)	✓												
11. TRADOC EX. AGENT FOR TRAINING DARCOM MATERIEL		✓									✓	✓	

✓ SUPPORTED  
 X OPPOSED

Figure 16-3 Army staff and MACOM views.



relative to the study group's recommendation for the establishment of DARCOM as the executive agent. After evaluating all comments and suggestions, the study group still believed that option 5, DARCOM as Executive Agent, represented the optimum organization. The study group felt this option provided the best possible responsiveness to OSD, continued the trend of decentralization, and clearly pinpointed responsibility. However, in view of the concerns that an Army Staff POC was needed, an additional alternative, alternative six, an amalgamation of the best of option 3, pertaining to the Army staff organization, and option 5, pertaining to the field organization was presented for consideration. The description of this alternative and its characteristics are at Appendix 6 to Annex L. This alternative provided for a security assistance office, to be composed of 10 to 15 personnel headed by an O-6, within the ODCSLOG. The office would report directly to the ADCSLOG who would act as the principal Army Staff spokesman for security assistance policy issues and have responsibility for keeping the VCSA and the Army secretariat informed. The office would also assume certain CASA functions. Under this alternative, TRADOC would have been designated executive agent for training, while DARCOM would have been executive agent for all other activities. TRADOC would also provide a small cell with the DARCOM Security Assistance Center to facilitate coordination of materiel and training requirements. Prior to briefing IPR 3, the sixth alternative was given to the same staff and MACOM elements that provided input comments on the original five options. Only TRADOC and DCSLOG had objections. TRADOC opposed the cell and preferred to commute personnel as required. The DCSLOG did not believe a dual hatted ADCSLOG was feasible. The DCSLOG preferred a Major General as a full-time Director for Security Assistance with a staff of 17 people. In summary, the study group felt that the multiple interfaces with DSAA inherent in alternative 6, i.e., ADCSLOG for policy, DARCOM, and TRADOC for program operations and management prevents this alternative from being the optimum.

25. Following the third IPR, the Director of the Army staff requested that the study group provide responses to the following questions pertaining to the study group's recommendations of the Army's security assistance organizational structure:

a. What is an executive agent?

b. Is the assignment of MACOM as an executive agent for security assistance necessary as opposed to following functional lines of responsibility?

c. What authority/responsibilities would be assigned to DARCOM as the DA executive agent?

d. What would be the impact on TRADOC if DARCOM was assigned executive agent?

e. Would the establishment of an executive agent diminish the authority of DCSOPS or HQDA?

26. The study group's response to the above questions are detailed in Annex J. A summary of the study group's answers is included below:

a. An executive agent acts on behalf of the Department of the Army in the execution of specifically defined functions or activities.

b. The assignment of a MACOM as an executive agent for program management is necessary. Otherwise, one MACOM may not task other MACOMs.

c. See Annex J for the authority/responsibilities which the study group recommended be assigned to DARCOM.

d. There would be no negative impact on TRADOC if DARCOM was designated executive agent if the relationship between DARCOM and TRADOC was formalized through a Memorandum of Understanding (MOU).

e. The authority of the DCSOPS and the rest of the HQDA staff would not be diminished by the establishment of an executive agent.

27. In a memorandum dated 14 September 1977, the DAS announced the VCSA's decision on the organizational structure for security assistance. The approved recommendations are at Annex M. Essentially, the approved organization is the same as alternative 6 except that an additional ADCSLOG was approved as the principal Army staff representative and principal point of contact within the Army staff for security assistance and for additional duties not related to security assistance. In addition, DARCOM was designated the sole executive agent. The redesignation of USAILCOM as the USASAC (US Army Security Assistance Center) was also approved.

#### Section V. Program Management

28. The new organizational structure as approved by the VCSA should result in improved management of the security assistance

program in that it reduces duplication of effort and formalizes responsibility for the program. Duplication of effort, the principal organizational problem, would be eliminated to a great extent within the Army Staff and between the Army Staff and MACOMs. This has been achieved largely by removing the Army Staff from administration, operational matters, and management of FMS cases and MAP/IMET orders. Functional elements of the Army Staff will retain responsibility, in coordination with the ADCSLOG, for policy development and promulgation in their respective areas. DARCOM, as the executive agent, through the US Army Security Assistance Center will be clearly responsible for program implementation, administration and management of FMS cases and approved MAP/IMET programs. Other commands and agencies would be responsible for preparing FMS cases and executing FMS cases and MAP/IMET orders falling in their functional area of responsibility in accordance with administrative procedures established by USASAC. The executive agent will be interfaced directly with DSAA for matters relative to implementation, administration and management. For policy matters, the ADCSLOG will interface with OSD. The redesignation of the USAILCOM as the USASAC will help in formalization of the interface of all the performing commands with the USASAC and more clearly reflect its role as the manager of the total program.

29. It was perceived by the Army Staff that there were problems in the accomplishment of the Army's role in fulfilling the security assistance mission assigned. Reorganization of the physical structure of the Army will not alone cure these problems.

30. There are several deeply rooted problems within the Army's security assistance program that will also require resolution before we can truly make the program well.

a. The first problem is one of awareness. It is our observation, based on personal visits, numerous reports, and DOD perception (as demonstrated by the Director of DSAA comments) that there is a lack of awareness throughout the Army concerning the national purpose of security assistance and the role of the Army in support of that purpose.

b. Another problem is one related to the first - the problem of attitude. The attitude of many Army personnel towards security assistance is still shaped by their negativism which developed during the 1973/74 period when the Army did experience a number of withdrawals and diversions.

c. A third problem in the Army's security assistance program is the paradox that it is not a program. The Army presently

operates with the premise that all activities conducted along functional lines, as an aggregate, equal the Army's program. The essential ingredient of unity of effort, however, is lacking.

d. The fourth problem and one which is prompted the other three, is the problem of responsiveness - both within the Army and to other agencies. The Army's credibility as a responsive security assistance player, particularly in the national arena is badly in need of repair.

#### Section VI. Findings/Recommendations

##### 31. Findings Relative to Organization.

a. Present management structure resulted from undue emphasis being given the relatively few mission-impacting actions.

b. Layering of "program overseers" results from institutionalized lack of trust within DA staff of DSAA and field agencies.

c. The vast majority of security assistance actions being taken have no impact on Army readiness.

d. The FMS program is too large to be managed within the DA staff.

e. Responsibility for operation of the Army's Security Assistance Program is diffused and fragmented.

f. Lack of a single focal point for program operations is confusing to outside agencies and the foreign clients. This leads to the belief that the Army is non-responsive and inefficient.

##### 32. Recommendations.

a. Organization - DA staff.

(1) CASA be disestablished.

(2) DCSLOG-IL be disestablished.

(3) Activities be restricted to policy.

(4) Appoint additional ADCSLOG:

(a) DA Staff representative/focal point.



- (b) Keep Secretariat/Vice Chief informed.
- (c) Coordinate policy development.
- (d) Other assigned duties.
- (5) Other DA staff agencies - retain functional policy responsibilities.
- b. Organization - DARCOM
  - (1) As Executive Agent:
    - (a) Implements, administers, and manages program.
    - (b) Interfaces with DSAA and foreign clients.
    - (c) Coordinates requirements of other commands and agencies; tasks as required.
    - (d) Establishes management procedures.
    - (e) Maintains master program record.
    - (f) Keeps DA staff informed.
  - (2) Redesignate USAILCOM as US Army Security Assistance Center (USASAC), headquartered in Alexandria, Virginia.
- c. Organization - Other commands and agencies.
  - (1) In coordination with USASAC, prepare FMS cases.
  - (2) Administer FMS cases and MAP/IMET in accordance with USASAC procedures.
  - (3) Execute their FMS cases and MAP/IMET.
  - (4) TRADOC and USACC staff cells in the executive agency (USASAC).

#### Section VII. Implementation of Approved Organization

33. Implementing Plan for Approved Security Assistance Reorganization. The plan for implementing the approved security assistance reorganization is contained in the HQDA letter 380-77-4, dated 31 October 1977, subject: Security Assistance Management Reorganization, (ANNEX N).

## ANNEX A

### GLOSSARY OF TERMS

General. Except as noted below, terms and abbreviations are contained in AR 310-25 (US Army Dictionary of Terms); AR 310-50 (Authorized Abbreviations and Brevity Code); FM 38-8 (International Logistics Management); DOD Manual 5105.38M, Military Assistance and Sales Manual (MASM); and JCS Pub 1 (DOD Dictionary of Military and Associated Terms).

Security Assistance. The overall program which encompasses Foreign Military Sales (FMS), Grant Aid (Military Assistance Program/International Military Education & Training), leases, loans and/or supporting assistance carried out under statutory authority whereby defense articles and services are provided foreign countries. For purpose of the Army's mission, security assistance activities include the following functional areas:

(1) Providing military advice to countries and organizations concerning size and composition of forces, organizational structure, military equipment, training and other services, doctrine and tactics, and administrative and logistic support.

(2) Planning, programming, and budgeting for US security assistance.

(3) Researching, developing, testing and evaluating materiel in support of foreign requirements.

(4) Acquiring and providing military equipment and services in consonance with US foreign policy, national security and strategic objectives, US armed forces plans and programs, and approved plans and programs for assistance through Grant Aid, leases, and sales.

Defense Articles. In the context of security assistance, defense articles include any weapon, weapon system, munition, aircraft, vessel, boat vessel, boat, or other implement of war; any property, installation, commodity, material, equipment, supply, or goods used for purposes of furnishing military assistance; any machinery, facility, tool, material, supply, or other item necessary for the manufacture, production, processing, repair, servicing, storage, construction, transportation, operation, or use of any other defense article or any component or part of any of the articles listed above. Defense articles will not include

merchant vessels or, as defined by the Atomic Energy Act of 1954, as amended, source material, by-product material, special nuclear material, production facilities, utilization of facilities, or atomic weapons or articles of a classified nature, except as approved by appropriate authority.

Defense Service. In the context of security assistance, defense service includes any military service, test, inspection, repair, training, publication, technical or other assistance, or defense information provided to foreign countries under provision of the law. Training includes formal instruction of foreign students in the United States or overseas by officers or employees of the United States, contract technicians, contractors (including instruction at civilian institutions); or by correspondence courses, technical, educational, or information publications, and media of all kinds; training aid orientation, training exercise, and military advice to foreign military units and forces.

Foreign Military Sales (FMS). Sales of defense articles and services to foreign governments and international organizations under authority of the Arms Export Control Act or successor legislation.

Military Assistance Advisory Group (MAAG). Encompasses Joint US Military Advisory Groups, Military Missions, Military Advisory Groups, US Military Groups, and US Military Representatives, or other military organizations exercising responsibility for security assistance and other related DOD matters with the host government to which they are accredited. Defense Attache personnel are included when assigned to a Defense Attache Office (DAO) specifically designated by the Secretary of Defense to carry out security assistance responsibilities.

Office of Defense Cooperation (ODC). Agreed to by State and Defense Departments since enactment of International Security Agreement & Arms Export & Control Act, ODC is the name given to the US Defense activity handling security assistance matters in the recipient country on termination of the MAAG, or in its absence. The ODC functions as part of the American Embassy; the specific terminology--ODC--may vary in some countries due to local conditions.

Military Assistance Program (MAP). Transfer of defense articles to foreign governments and international organizations as Grant Aid and loans under authority of the Foreign Assistance Act or successor legislation.

Security Supporting Assistance. Funds used to finance imports of commodities, capital, or technical assistance, provided either as a grant or loan in accordance with terms of a bilateral or multilateral agreement, to enable a recipient country to devote more of its own resources to security purposes than it otherwise could do without serious economic or political consequences.

Total Package. In the context of security assistance, "total package" refers to the concept of developing Letters of Offer and Acceptance (LOA) for defense articles and services in such a way as to provide the customer with advice concerning requirements for major end items, ancillary equipment, initial and sustaining support, maintenance support, training, technical and other support considered necessary to achieve and sustain operational readiness of the defense articles throughout its life cycle in the country concerned. This includes time sequencing of all articles and services to insure timely delivery.

International Military Education and Training (IMET). Military education and training furnished to military and civilian personnel of foreign countries by Congressionally appropriated funding. This training was formerly funded under MAP Appropriation 1080, but as of 1 July 1975, is separately funded as IMET Appropriation 1081.

The Security Assistance Program. A compilation of all Foreign Military Sales (FMS), Military Assistance Program (MAP), and International Military Education and Training (IMET), commitments for materiel, services, and training; and an amalgamation of all the actions taken to fulfill those commitments.

A Security Assistance Program. A grouping of FMS cases, MAP and/or IMET orders which together comprise a multi-faceted commitment. The manager of a security assistance program is as designated by the Executive Agency.

A Security Assistance Country Program. The same as the security assistance program except restricted to any one foreign country or entity. Country program management is accomplished by the Executive Agency.

Security Assistance Program Manager. The official designated to act for the Department of the Army in insuring that the actions taken by all MACOMS and agencies participating in the security assistance program are coordinated and are in consonance with policies established by the Congress, the Administration, the



Department of State, the Office Secretary of Defense and the Department of the Army.

Security Assistance Executive Agent. The official appointed by the Department of the Army to be the manager of the Army's security assistance program.

Security Assistance Executive Agency. The organization designated by the Executive Agent to carry out his responsibilities as manager of the security assistance program.

Security Assistance Program Administration. The coordination of the procedures used by the commands/agencies participating in the security assistance program which insure that actions taken are coordinated and in compliance with policies established by higher authorities. They are developed by the Executive Agency and are utilized by the command/agency developing and executing FMS cases and executing MAP/IMET orders.

FMS Case Implementation. Actions taken upon receipt of an LOA signed and accepted by the foreign client leading to directing a performing command to execute the LOA.

Performing Command/Agency. A US Army organization which performs the logistical, service, and/or training tasks in fulfillment of security assistance commitments contained on an FMS case - MAP/IMET order or a portion thereof.

Execution of FMS Cases and MAP/IMET Orders. A culmination of the actual logistical, services and/or training tasks performed by a command or agency in fulfillment of the commitments contained in an FMS case or MAP/IMET order which fall within the functional responsibility of that command/agency.

FMS Case - MAP/IMET Order Managers. The command or agency designated by the Executive Agency to be responsible for execution of an FMS case or MAP/IMET order. When commitments on an FMS case or MAP/IMET order fall totally within the functional responsibilities of one command or agency, responsibility for management of that FMS case - MAP/IMET order is normally delegated to that command or agency. When commitments on an FMS case - MAP/IMET order cross functional lines of more than one command/agency, management of that FMS case - MAP/IMET order is normally accomplished by the Executive Agency. In such cases management is accomplished by coordinating the actions taken by the various commands/agencies designated as managers of the various segments, called lines, of an FMS case - MAP/IMET orders.

Security Assistance Country Program Management. Management on the security assistance country programs by the Executive Agency.

Customer Order Control Points (COCOP). COCPs control all FMS customer reimbursable orders regardless of funding source (Operation & Maintenance, Army, Research, Development, Test & Evaluation, or Procurement).

Allotment Advice. Fund authorization documents (DA Form 1323 or similar documents) issued by COA or special/general operating agencies to make funds available for obligational purposes.

Obligation Authority (OA). In general, an activity's authority to incur legal obligations for the US Government and is limited by the document which provides the authority and the funded reimbursable authority (FRA) received.

- o FMS "OA". Issued by the Security Assistant Accounting Center (SAAC) and identified by FMS case/country, and is Army's authority to incur obligations in the performing appropriations (OMS, RDTE, APA, MPA, MCA) which by SAAC from the FMS Trust Fund.

- o Direct Army Appropriations/non-FMS "OA". Allocated by COA in fund authorization documents which provide authority to incur obligations in the performing appropriations (OMA, RDTE, APA, MPA, MCA) upon receipt of non-FMS orders such as MAP/Grant Aid, and Military Interdepartmental Purchase Requests (MIPR).

- o Stock Fund "OA". Apportioned by OMB and allocated by COA to major commands responsible for management of stock fund divisions, and further distributed through command channels to stock fund branches. Provides authority to procure supplies, repair parts, etc. needed to conduct stock fund operations.

- o Funded Reimbursable Authority (FRA). A funding arrangement authorized by the Office of Management and Budget to enable appropriations to be increased upon the receipt of reimbursable customer orders. FRA is received from OMB through OSD and is based upon Army estimates of anticipated customer orders that will be received and have supply or procurement action taken during a fiscal year. It is not apportioned obligation authority, but authority to incur an obligation only if a valid and actionable customer order is received.

ANNEX B  
ABBREVIATIONS AND ACRONYMS

----A----

AAA.....Army Audit Agency  
AAI.....Army Analysis of Intelligence  
AAO.....Authorized Acquisition Objective  
ABCA.....American, British, Canadian & Australian Armies  
ACC.....Army Communications Command  
ACOCS-FMS.....Army Customer Order Control System for FMS  
ACOSC.....Army Customer Order Steering Committee  
ACSI.....Assistant Chief of Staff for Intelligence  
ADPE.....Automatic Data Processing Equipment  
AFAFC.....Air Force Accounting & Finance Center  
AFSC.....Armed Forces Staff College  
AHS.....Academy of Health Sciences  
AID.....Agency for International Development  
AIF.....Army Industrial Fund  
AIK.....Assistance In Kind  
ALMSA.....Automated Logistics Management Systems Agency  
ALREP.....Army Long Range Environment Projections  
AM.....Augmentation and Modernization (free assets)  
AMCSO.....Army Management Structure Code  
AMEDD.....Army Medical Department  
APARS.....Army Procurement Accounting and Reporting System





CBS.....Continuing Balance System  
 CCSS.....Commodity Command Standard System  
 CDC.....Control Data Corporation  
 CERCOM.....Communications Electronics Readiness Command  
 CIA.....Central Intelligence Agency  
 CISIL.....Centralized Integrated System International  
                   Logistics  
 CLSSA.....Cooperative Logistics Supply Support  
                   Arrangements  
 COA.....Comptroller of the Army  
 COBE.....Command Operating Budget Estimate  
 COCP.....Customer Order Control Point  
 COE.....Corps of Engineers  
 COIA.....Control of Investment Appropriations Study  
                   Group  
 CONUS.....Continental United States  
 CSM.....Chief of Staff Memorandum  
 CSP.....Concurrent Spare Parts  
 CSR.....Chief of Staff Regulation  
 CTP.....Consolidated Telecommunications Program  
 CWE.....Current Working Estimate

----D----

DA.....Department of the Army  
 DARCOM.....U.S. Army Materiel Development and Readiness  
                   Command  
 DASD (ISA).....Deputy Assistant Secretary of Defense  
                   (International Security Affairs)



AD-A047 534

ARMY SECURITY ASSISTANCE PROGRAM STUDY GROUP ALEXAND--ETC F/6 15/7  
THE ARMY SECURITY ASSISTANCE PROGRAM STUDY REPORT (TASAPS - 77)--ETC(U)  
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4 OF 5  
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FLO.....Foreign Liaison Office  
 FMAC.....Financial Management Advisory Committee  
 FMS.....Foreign Military Sales  
 FMSA.....Foreign Military Sales Act  
 FMSCR.....Foreign Military Sales Credit  
 FMSO-IL & FMSO-II....Foreign Military Sales Order I & II  
 FMT.....Foreign Military Training  
 FMTB.....Foreign Military Training Board  
 FOA.....Field Operating Agency  
 FOIC.....Foreign Officers Intelligence Course  
 FORSCOM.....Forces Command  
 FRA.....Funded Reimbursable Authority  
 FRG.....Federal Republic of Germany  
 FST.....Field Service Team  
 FSTC.....Foreign Science & Technology Center  
 FYDP.....Five Year Defense Plan

----G----

GA.....Grant Aid  
 GAO.....General Accounting Office  
 GBL.....Government Bill of Lading  
 GFSR.....General Functional System Requirement  
 GRC.....General Research Corporation  
 GSA.....General Services Administration



----H----

HAC.....House Appropriations Committee

HSC.....Health Services Command

----I----

ICP.....Inventory Control Point

IMET.....International Military Education and Training

ISA.....International Security Affairs

ISD.....Intelligence Support Detachment

ITAD.....Intelligence Threat Analysis Detachment

ITO.....Invitational Travel Order

----J----

JCS.....Joint Chiefs of Staff

JFM.....Joint Forces Memorandum

JFMO.....Joint Financial Management Office

JLC.....Joint Logistics Commanders

JLREID.....Joint Long Range Estimative Intelligence  
Document

JSPS.....Joint Strategic Planning System

JTD.....Joint Table of Distribution

JUSMAG.....Joint United States Military Advisory Group

----M----

MAAG.....Military Assistance Advisory Group

MAC.....Military Airlift Command

MACOM.....Major Army Command

MAP.....Military Assistance Program

MASF.....Military Assistance Service Funded  
 MASL.....Military Articles and Services List  
 MASM.....Military Assistance and Sales Manual  
 MATCOM.....Materiel Command  
 MCA.....Military Construction, Army  
 MDD.....Mediterranean Division  
 MDE.....Major Defense Equipment  
 MDW.....Military District of Washington  
 METG.....Middle East Task Group  
 MIB.....Military Intelligence Board  
 MILDEPS.....Military Departments  
 MIRCOM.....Missile Readiness Command  
 MIDA.....Major Item Data Agency  
 MIIA.....Medical Information & Intelligence Agency  
 MILES.....Multiple Integrated Laser Engagement System  
 MILGP.....US Military Group  
 MILPERCEN.....Military Personnel Center  
 MILSBILS.....Military Standard Billing System  
 MILSTRAP.....Military Standard Transaction Reporting &  
                     Accounting Procedure  
 MILSTRIP.....Military Standard Requisitioning & Issue  
                     Procedure  
 MIPR.....Military Interdepartmental Purchases Request  
 MPA.....Military Pay, Army Appropriation  
 MOU.....Memorandum of Understanding

MSC.....Major Subordinate Command  
MSC.....Military Sealift Command  
MTMC.....Military Traffic Management Command  
MTT.....Mobile Training Team  
MWO.....Modification Work Order

----N----

NATO.....North Atlantic Treaty Organization  
NAVILCO.....Naval International Logistics Control Office  
NCAD.....New Cumberland Army Depot  
NDP.....National Disclosure Policy  
NIE.....National Intelligence Estimate  
NSA.....National Security Agency  
NSC.....National Security Council  
NSSM.....National Security Study Memorandum

----O----

OA.....Obligational Authority  
OCE.....Office, Chief of Engineers  
OCOA.....Office, Comptroller of the Army  
OCSA.....Office, Chief of Staff Army  
ODC.....Office of Defense Cooperation  
ODCSLOG.....Office, Deputy Chief of Staff for Logistics  
ODCSOPS.....Office, Deputy Chief of Staff for Operations &  
Plans  
ODCSPER.....Office, Deputy Chief of Staff for Personnel  
OJCS.....Office, Joint Chief of Staff

OJT.....On-the-Job-Training  
 OMA.....Operations and Maintenance, Army  
 OMB.....Office of Management and Budget  
 OTSG.....Office of the Surgeon General  
 OSD.....Office, Secretary of Defense  
 OTT.....Orientation Training Tour

----P----

PAT.....Port Assistance Team  
 P&A.....Price & Availability  
 PA&E.....Programs Analysis & Evaluation  
 PEMA.....Procurement of Equipment & Missiles Army  
 PEMARS.....Procurement of Equipment & Missiles Army  
                   Management Accounting and Reporting System  
 PERDDIMS.....Personnel Deployment & Distribution Manage-  
                   ment System  
 PFCS.....Program and Fund Control System  
 PGRC.....Program Guidance and REview Committee of SELCOM  
 PIP.....Product Improvement Program  
 POC.....Point of Contact  
 POI.....Program of Instruction  
 POM.....Program Objective Memorandum  
 PPBS.....Planning, Programming, Budgeting System  
 PROBE.....Program Organization and Budget Evaluation  
                   Steering Committee  
 PWD.....Program/Work Directive



----Q----

QAT.....Quality Assurance Team

----R----

R&D.....Research & Development

RDTE.....Research, Development, Test & Evaluation

RIF.....Reduction In Force

RPMA.....Real Property Maintenance Activity

ROID.....Report of Item Discrepancy

---S---

SA.....Secretary of the Army; also Security  
Assistance

SAAC.....Security Assistance Accounting Center

SAMC.....Security Assistance Management Course

SAMOS.....Security Assistance Management Orientation  
Seminar

SANG.....Saudi Arabia National Guard Program

SAPRC.....Security Assistance Program Review Committee

SASG.....Security Assistance Steering Group

SATMO.....Security Assistance Training Management  
Office

SECDEF.....Secretary of Defense

SELCOM.....Select Committee

SOUTHCOM.....Southern Command

SPASTAND.....Selected Issues in Providing Assistance to  
Allies Under the Nixon Doctrine

SPC.....Strategy and Planning Committee

SRD.....Special Research Detachment  
SSA.....Supply Support Arrangement  
SOCP.....Saudi Ordnance Corps Program  
SNEP.....Saude Naval Expansion Program

----T----

TAADS.....The Army Authorization and Document Systems  
TAC.....Transportation Account Code  
TARDOM.....Tank Automotive Readiness Command  
TAFT.....Technical Assistance Field Team  
TAGO.....The Adjutant General Office  
TAT.....Technical Assistance Team  
TDP.....Technical Data Package  
TCN.....Transportation Control Number  
TEC.....Training Extension Course  
TOA.....Total Obligational Authority  
TOAs.....Transportation Operating Agencies  
TRADOC.....Training and Doctrine Command  
TSARCOM.....Troop Support and Aviation Readiness  
                  Command  
TSG.....The Surgeon General  
TTCP.....The Technical Cooperation Program

----U----

USAF.....United States Air Force  
USAFAC.....US Army Finance and Accounting Center



ANNEX C

CHIEF OF STAFF  
**Memorandum**  
U. S. ARMY

DISTR A EXPIRES 31 March 1978

CSM 77-5-10

DATE 2 March 1977

FILE CS 380.01 (2 Mar 77)

ACTION OFFICER/EAT

LTC Nitzsche/lk/72009

SUBJECT: Army Security Assistance Program Study

MEMORANDUM FOR: HEADS OF ARMY STAFF AGENCIES

PURPOSE. This memorandum provides for the establishment of a study to conduct a comprehensive review of the Army Security Assistance Program.

2. BACKGROUND. The Army organization/management structure for security assistance was last reviewed in detail during the third quarter CY 1975. Since completion of this study, numerous changes have occurred and reports received which indicate the need for another comprehensive review of Army management data flow and the organizational structure for Security Assistance Program Management.

3. MISSION. The mission of the Army Security Assistance Study Group (ASASG) is to--

- a. Identify management information/data required by all MACOMs and HQDA Staff elements involved in Security Assistance Program Management.
- b. Identify requirements for organizational interfaces of security assistance activities.
- c. Develop recommendations for an optimum security assistance organization and other management improvements.

4. COMPOSITION.

a. A chairman of the ASASG will be designated by the Director of Management. Each Army Staff agency involved in the Army Security Assistance Program will provide one full-time study group member. Staff agencies to provide full-time members will be determined by the chairman. TJAG will provide legal advice as required. Other Army Staff agencies may be invited by the chairman to provide representation when matters within their area of responsibility are discussed.

b. Selected major commands and Army security assistance activities, to be identified by the chairman, will also provide full-time members to the ASASG.



**SUBJECT: Army Security Assistance Program Study**

c. The Assistant Secretary of the Army (Installations and Logistics) will be invited to participate in the study.

**5. EFFECTIVE DATE AND AUTHORITY.**

a. The establishment of the ASASG is effective on assignment of the chairman.

b. The study group is authorized to task Army Staff agencies, major commands, installations, and activities direct to provide information and assistance in connection with its function.

**6. DIRECTION AND CONTROL.**

a. The Chairman, ASASG will report to the Director of Management.

b. The study will be conducted in accordance with the milestone schedule at the inclosure.

**7. ADMINISTRATIVE SUPPORT.**


a. Administrative support (space and equipment) to the study group will be provided by the Director of Management.

b. Clerical support will be provided by ODDAS(ES), OCSA.

c. Funds for travel, per diem, and overtime will be provided by the parent organization of the study group member.

**BY DIRECTION OF THE CHIEF OF STAFF:**

1 Incl  
as

  
**WILLIAM B. FULTON**  
Lieutenant General, GS  
Director of the Army Staff

20 May 1977

<u>Date</u>	<u>Action</u>
D-Day	Chairman assigned.
D+5	Identify agencies and activities required to provide full-time members to study group.
D+20	Prepare, coordinate, and submit proposed charter to DAS for approval.
D+60	First IPR to the Army Security Assistance Coordinating Group (ASACG).
D+110	Second IPR to ASACG.
D+135	Third IPR to ASACG.
D+160	Fourth IPR to ASACG.
D+170	Presentation to Security Assistance Steering Group (SASG).
D+180	Decision brief to SA and CSA.
D+185	Publish Approved Recommendations.
D+190	Close Out.

CHIEF OF STAFF

# Memorandum

U. S. ARMY

FORM A EXPIRES 31 March 1978

CSM 77-5-

DATE 20 May 1977

FILE CS 380.01 (2 Mar 77)

ACTION OFFICER/EXT

LTC Brayboy/sc/78841

SUBJECT: Army Security Assistance Program Study

MEMORANDUM FOR: HEADS OF ARMY STAFF AGENCIES

1. CSM 77-5-10, dated 2 March 1977, subject as above.
2. Page 1, paragraph 4a, second sentence (superseded):

Each Army Staff agency involved in the Army Security Assistance Program will provide full-time study group members as directed.

3. Inclosure 1, Remove Inclosure 1 and substitute revised inclosure attached hereto.

*McGuffey*  
JOHN R. MCGUFFEY  
Lieutenant General, GS  
Director of the Army Staff

ANNEX D



DEPARTMENT OF THE ARMY  
OFFICE OF THE ADJUTANT GENERAL AND THE ADJUTANT GENERAL CENTER  
WASHINGTON, D.C. 20314

HQDA Ltr 380-77-2

DAAG-PAP-A (M) (28 Mar 77) DACS-DMS

4 April 1977

Expires 28 March 1978

SUBJECT: Army Security Assistance Program Study

SEE DISTRIBUTION

1. Chief of Staff U.S. Army Memorandum (CSM) 77-5-10, dated 2 March 1977, provides for the establishment of a study group to conduct a comprehensive review of the Army Security Assistance Program. This review will be accomplished by the Army Security Assistance Program Study Group (TASAPS 77) as outlined below and in the Charter at the inclosure.
2. The mission of TASAPS 77 is to:
  - a. Identify requirements for organizational interfaces of security assistance activities.
  - b. Identify management information/data required by HQDA Staff elements and all MACOMS involved in Security Assistance Program Management.
  - c. Recommend an optimum security assistance structure and other management improvements.
  - d. Recommend collateral improvements.
3. The Chairman, TASAPS 77, reports directly to the Director of Management, Office of the Chief of Staff, Army. Within the policy guidance prescribed in the Charter, he has the delegated authority of the Chief of Staff, Army, in accomplishing his mission.
4. The Chairman, TASAPS 77, is authorized direct access to Army and other Service Staff agencies; the Office of the Secretary of the Army; the Office of the Chairman, Joint Chiefs of Staff; the Office of the Secretary of Defense; major Army commands; and staff support and field operating agencies.



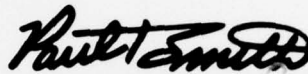
SUBJECT: Army Security Assistance Program Study

5. Establishment of this study group does not relieve Army Staff elements and/or MACOMS of their assigned staff and command responsibilities.

6. MACOMS, Army security assistance activities and Army Staff agencies will provide full time members and/or designate a point of contact for TASAPS 77 as requested by the Chairman, TASAPS 77. Funds for travel and per diem will be provided by the parent organization of the study group member.

7. TASAPS 77 is located in Room 716, Hoffman I, 2461 Eisenhower Avenue, Alexandria, Virginia 22331, telephone: Autovon 221-0420, Commercial: (703) 325-0420.

BY ORDER OF THE SECRETARY OF THE ARMY:



PAUL T. SMITH  
Major General, United States Army  
The Adjutant General

1 Incl  
as

DISTRIBUTION:

COMMANDER IN CHIEF

US ARMY, EUROPE AND SEVENTH ARMY

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US ARMY INTELLIGENCE AND SECURITY COMMAND

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MILITARY TRAFFIC MANAGEMENT COMMAND

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US ARMY FORCES COMMAND

US ARMY TRAINING AND DOCTRINE COMMAND

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DASG-ZA

COMMANDER, US ARMY RESERVE COMPONENTS PERSONNEL & ADMIN CENTER

## CHARTER

### THE ARMY SECURITY ASSISTANCE PROGRAM STUDY GROUP

1. PURPOSE. This Department of the Army Charter establishes The Army Security Assistance Program Study Group (TASAPS 77) and specifies the mission, authority, and responsibilities of the group.

2. THE ARMY SECURITY ASSISTANCE PROGRAM STUDY GROUP.  
Effective 7 March 1977, the group is established within the Office of the Chief of Staff, Army. The Chairman is Colonel Frederick J. Siebert. The group is located in Room 716, Hoffman I, 2461 Eisenhower Avenue, Alexandria, Virginia 22331, telephone: Autovon 221-0420, Commercial: (703) 325-0420.

3. MISSION.

a. The mission of TASAPS 77 is to:

(1) Identify requirements for organizational interfaces of security assistance activities.

(2) Identify management/information data required by HQDA staff elements and all MACOMS involved in Security Assistance Program Management.

(3) Recommend an optimum security assistance structure and other management improvements.

(4) Recommend collateral improvements.

b. To accomplish its mission TASAPS 77 will:

(1) Review the mission, functions, and responsibilities of security assistance organizations/agencies/activities.

(2) Examine relationships among those organizations/agencies/activities.

(3) Identify requirements for organizational interfaces of security assistance functions.

(4) Survey security assistance program management information/data available to HQDA staff, MACOM, and other agencies and identify additional management information/data required by those agencies.

(5) Determine the capability of the Army organizational structure to carry out its security assistance responsibilities.

Inclosure

(6) Develop organizational structure and management improvement alternatives to improve the Army's capabilities.

(7) Recommend the optimum security assistance structure and other improvements.

c. In accomplishing these tasks the study group will, as a minimum, consider:

- (1) Executive guidance.
- (2) Security assistance legislation.
- (3) Resources.
- (4) Total package planning/execution.
- (5) Trends toward centralization.
- (6) Information systems/programs requirements and management.
- (7) Customer requirements.

4. AUTHORITY AND FUNCTIONS. The Chairman, TASAPS 77, within the guidelines prescribed herein and by authority of the Chief of Staff, will:

a. Establish objectives, goals and priorities for action to accomplish his mission .

b. Task the Army Staff, major Army commands, and other Army security assistance activities to provide information, briefings, and/or documents required to accomplish his mission.

c. Provide periodic progress reports as directed.

5. RELATIONSHIPS.

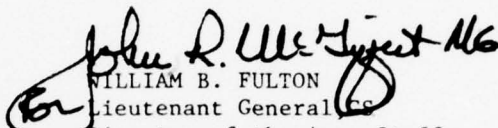
a. The Chairman, TASAPS 77, reports directly to the Director of Management, Office of the Chief of Staff, Army.

b. The Chairman, TASAPS 77, is authorized direct access to Army and other Service Staff agencies; the Office of the Secretary of the Army; the Office of the Chairman, Joint Chiefs of Staff; the Office of the Secretary of Defense; major Army commands and staff support and field operating agencies.

c. Establishment of this group does not relieve Army Staff elements and/or MACOMS of their assigned staff and command responsibilities.

6. SPECIAL DELEGATION. The Chairman, TASAPS 77, is delegated approval authority in the selection of the deputy and other key personnel assigned to the study group.

7. EXPIRATION. This charter expires 28 March 1978, unless terminated sooner.

  
WILLIAM B. FULTON  
Lieutenant General  
Director of the Army Staff



ANNEX E

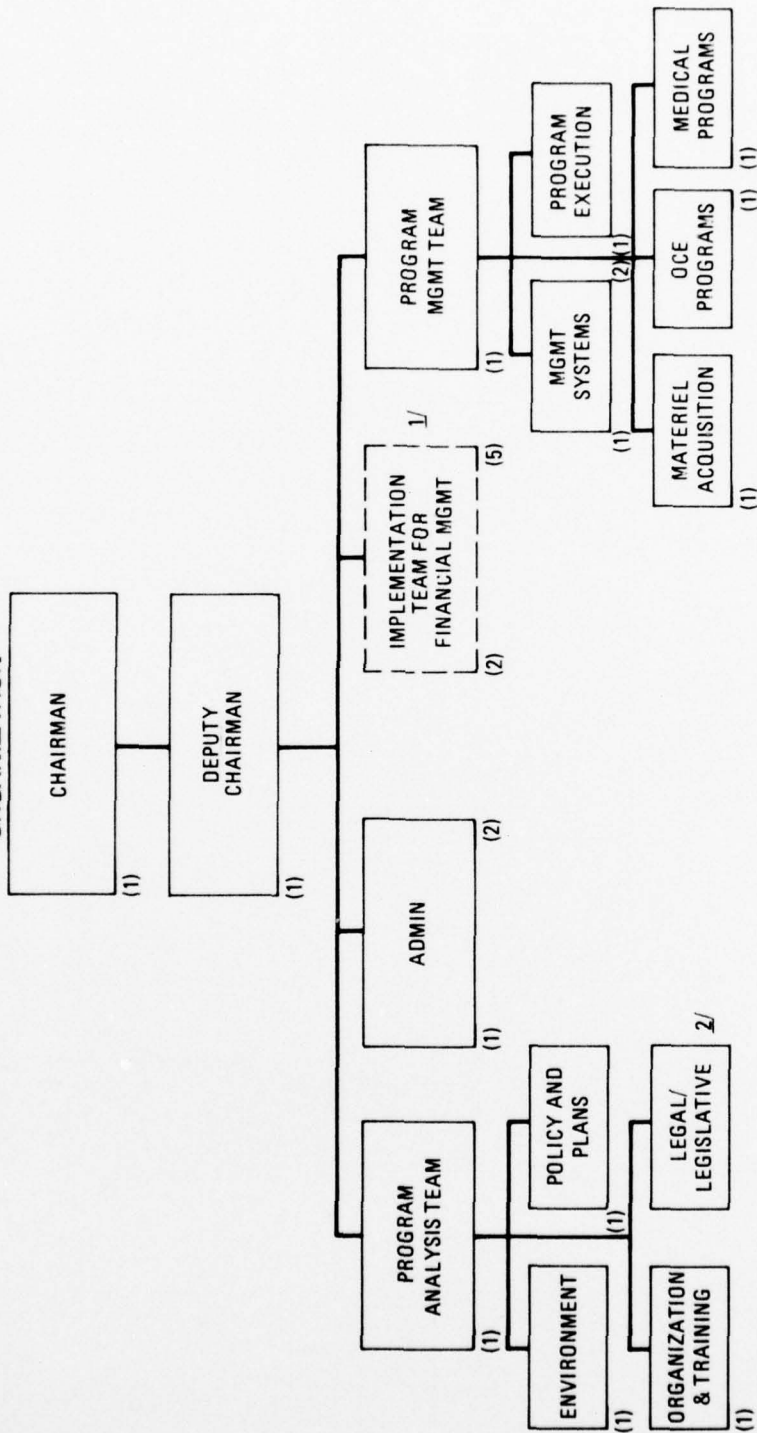
ACTIVITIES CONTACTED

<u>ACTIVITY</u>	<u>LOCATION</u>
Arms Control and Disarmament Agency	Washington, D.C.
Defense Security Assistance Agency	Washington, D.C.
Security Assistance Accounting Center (SAAC)	Denver, CO
English Language Center (ELC)	Lackland AFB, TX
Security Assistance Division, ODCNO, Office of Chief of Naval Operations	Washington, D.C.
Security Assistance Directorate, HQ Naval Materiel Command	Washington, D.C.
Directorate of Military Assistance and Sales, ODCS/S&L, HQ USAF	Washington, D.C.
Air Training Command (ATC)	Randolph AFB, TX
Office of the Assistant Secretary of the Army (IL & FM)	Washington, D.C.
Office of the Assistant Secretary of the Army (RDA)	Washington, D.C.
HQDA Staff	Washington, D.C.
US Army Forces Command (FORSCOM)	Atlanta, GA
US Army Training and Doctrine Command (TRADOC)	Fort Monroe, VA
US Army Materiel Development & Readiness Command (DARCOM)	Alexandria, VA
US Army Communications Command (USACC)	Fort Huachuca, AZ
US Army Missile & Munitions Center & School (USAMMCS)	Redstone Arsenal, AL
US Army Air Defense School (USAADS)	Fort Bliss, TX

<u>ACTIVITY</u>	<u>LOCATION</u>
US Army Infantry School (USAIS)	Fort Benning, GA
US Army Aviation Systems Command (AVSCOM)	St Louis, MO
US Army Armament Materiel Readiness Command (ARRCOM)	Rock Island, IL
US Army Missile Materiel Readiness Command (MIRCOM)	Redstone Arsenal, AL
US Army Tank-Automotive Materiel Readiness Command (TARCOM)	Warren, MI
US Army International Logistics Command (USAILCOM)	New Cumberland, PA
US Army Security Assistance Training Management Office (SATMO)	Fort Bragg, NC
US Army Training Support Center	Fort Eustis, VA

ANNEX F

THE ARMY SECURITY ASSISTANCE PROGRAM STUDY GROUP  
ORGANIZATION



F-1

OFFICERS - 10    PROF CIVS - 4    CLERICAL - 2    EM - 1

NOTES: 1/ COLLOCATED 17 AUGUST 1977 WITH ADDITIONAL MISSION OF ASSISTING TASAPS 77.  
2/ ON CALL.

## ANNEX G

### The Army Security Assistance Program Study Group Primary Members

<u>NAME</u>	<u>ACTIVITY REPRESENTED</u>
Colonel Frederick J. Siebert	Chairman
Colonel Raymond Deitch	Deputy Chairman
Colonel Gordon D. Jones	DARCOM
LTC(P) Richard Seeberg	TAG
LTC Michael L. Layton	TRADOC
LTC Ronald G. Koger	ODCSLOG
LTC Billy R. Lawson	ODCSPER
LTC John W. Gray	TSG
Major (P) Randall Ford	ODCSOPS
Major (P) James S. Hanke	OACSI
Major Edward Whitehurst	OACSI
Captain Paul Roach	Admin Officer
Mr. Donald Leipertz	AAD, OCSA
Mr. Basil V. Paddock	COA
Mr. Lester Newhouse	OCE
Mr. Albert R. South	ODCSRDA
Ms. Ruth Gullette	Admin
SP4 G. Byleckie	Admin
Miss Gloria Martinez	Admin

### INTERIM MEMBERS

Major Patrick J. Mumma	TSG
Mr. J. R. Powers	COA
SP5 L. Weathington	Admin



ANNEX H

MEMBERS OF THE COA IMPLEMENTATION TEAM FOR FINANCIAL MANAGEMENT

<u>NAME</u>	<u>ACTIVITY REPRESENTED</u>
LTC Chris F. Rego	Chairman, (COA)
LTC Steve West	ASA (IL & FM)
Mr. John Clark	COA
Mr. Paul Ponder	COA
Mr. Gerald M. Grosso	COA
Mr. Rod Mundy	DARCOM
Ms Marie Hurley	DARCOM
Mr. Roger Costello	DARCOM

## ANNEX I - FINANCIAL MANAGEMENT

### Appendices

	<u>PAGE</u>
1 - Responsibilities for Financial Management	I-14-2
2 - Actions Taken by ASA (FM) and COA to Resolve Problems	I-14-12
3 - The Planning, Programming and Budgeting System	I-14-14
4 - Accounting System and Reporting	I-14-26
5 - Financial Policies and Procedures	I-14-36
6 - Program and Fund Control	I-14-42
7 - Supply Support Arrangement	I-14-45
8 - Accessorial Costs	I-14-48
9 - Training	I-14-57
10 - Medical Services	I-14-61
11 - Engineer Services	I-14-66
12 - Military Assistance Program/Grant Aid	I-14-68
13 - Direct Cite	I-14-71
14 - Customer Order Control System for FMS	I-14-85
15 - Working Capital Funds - Army Stock Fund	I-14-90
16 - Working Capital Funds - Army Industrial Fund	I-14-97

## APPENDIX 1 TO ANNEX I - FINANCIAL MANAGEMENT

### Responsibilities for Financial Management

1. Responsibility for financial management is shared by management officials at all organizational levels within the Department of the Army, up to and, including the Chief of Staff and Secretary of Army. In addition to comptroller personnel, appropriation/fund directors, revolving fund directors, and major program/subprogram directors, all line and staff managers in both mission and support activities must participate actively in the financial management process if operations are to be conducted effectively and efficiently. Financial management is a function of command, particularly in the area of operations. At the operating activity level, the commander must review operating programs and financial plans established for his activity, participate in preparation of budget justifications, allocate and reallocate financial resources among subordinate activities, review reports of performance, and take whatever action may be appropriate for achieving the goals of his organization. While he has considerable latitude in managing his resources, he remains accountable to the next higher level of command for the effective and efficient use of resources committed to him. The comptroller is the principal financial officer. He provides financial advice and assistance to the commander and staff officials, and is responsible for the development and operation of the formal programming, budgeting, accounting, and reporting systems.
2. Financial management responsibilities are by no means limited to managers of "operating" activities, i.e., activities financed by operation and maintenance and military personnel appropriations. In the areas of weapon system procurement, facilities construction, and research, development, test and evaluation, the primary responsibility for financial planning and control rests with the appropriation/program/subprogram and project direction managers, and added emphasis is placed in budgeting, accounting and reporting on the cost of the end item or project.
3. Financial management responsibilities also vary in accordance with the level of organization. For example, major commands and departmental headquarters are concerned with allocating resources among major programs, and providing policy guidance, technical guidance and program direction to operating activities. Lower echelons are involved, to a greater extent, in providing advice and assistance to managers, making operating decisions, and designing and implementing operating procedures.

4. Governing Statutes and Regulations. The principles, standards and requirements governing the establishment and maintenance of budgeting, accounting, and reporting systems, including those for the security assistance programs, have been influenced by a variety of specific statutes and by the general provisions of appropriation acts. They have been formed also by the requirements of the Treasury Department, the Office of Management and Budget and General Accounting Office, as expressed in issuances having the effect of law. The Constitution of the United States provides in Article I, Section 9, Clause 7, that:

"No money shall be drawn from the Treasury, but in consequence of appropriations made by law; and a regular statement and account of receipts and expenditures of all public money shall be published from time to time."

This provision is the basis for Congressional control of the purse, and, together with related statutes, forms the basis, also, for the concept that each appropriation account is an entity for which a separate group of accounts must be maintained and reports rendered.

5. Statutory Responsibility of the Comptroller of the Army.

a. The National Security Act (NSA) of 1947 as amended through September 30, 1973, establishes the positions of the Assistant Secretary of Defense (ASD) (Comptroller) and the Comptroller of the Army. The ASD Comptroller is responsible for:

(1) Supervision and direction of the preparation of DOD budget estimates.

(2) Establishing and supervising the execution of principles, policies and procedures to be followed in connection with the organizational and administrative matters related to preparation and execution of budgets; fiscal, cost, operating and capital property accounting; progress and statistical reporting; and establishment and supervision of the execution of policies and procedures relating to the expenditure and collection of DOD funds.

b. The NSA also provides that the Comptroller of the Army, subject to the authority, direction and control of the Secretary of Defense and Secretary of the Army, is responsible for organizing and conducting the following matters consistent with the operations of the Office of the DOD Comptroller:



- (1) Budgeting
- (2) Accounting
- (3) Progress and statistical reporting
- (4) Internal audit
- (5) Administrative organization structure and managerial procedures relating to items (1) through (4), above.

c. The Army Comptroller's responsibility for budgeting and accounting, as stated in the NSA, is the basis for his responsibility to maintain an adequate system of fund control. The accounting requirements, systems and procedures to implement this responsibility are detailed in numerous DOD instructions/directives such as DODIs 7220.9, "Guidance for Budgets" and 7200.1, "Administrative Control of Appropriations within the Department of Defense". These and other DODIs are, in turn amplified by Army Regulations in the 37 series (Financial Administration).

6. Organization and Responsibilities within the Army for Financial Management Functions for Security Assistance.

a. General Order Number 20, Assignment of duties and responsibilities within the Office, Secretary of the Army, assigns duties and responsibilities pursuant to the authority contained in applicable sections 3012 and 3016 of the US Code within the Office of the Secretary of the Army. Responsibilities assigned to the ASA (FM), which was consolidated with the ASA (IL) and designated ASA (IL&FM) by HQDA ltr 10-77-1 dated 28 June 1977, include the following pertinent functional areas:

- (1) The Army planning, programming and budgeting systems (PPBS).
- (2) Army budget formulation and execution.
- (3) Financial systems for all funds, including accounting, reporting, pricing; disbursement and collection of funds, pay of personnel and military banking.
- (4) Direction and supervision over the Auditor General of the Army, in all audit matters.
- (5) Audit compliance by the Inspector General.

(6) Automatic data processing (ADP) programs, including selection of equipment and associated software and ADP services.

(7) Management information systems, including progress and statistical reporting.

(8) Direction and supervision over the Comptroller of the Army in all financial matters.

b. In the performance of these duties, the ASA(IL&FM) intercedes for the Secretary of the Army, as appropriate, in the development and approval of concepts, plans, policies and programs which may impact on financial matters.

c. AR 10-5, Organization and Functions, sets forth the organization and functions of DA and the general responsibilities of the heads and commanding generals of its major elements. DA Memo 5-9, Management, Security Assistance, 6 August 1976 (superseded CSR 5-9, same subject) prescribes policies, responsibilities and procedures for the management of security assistance matters within HQDA.

d. CSR 11-5, Army Programs, assigns Army Staff responsibilities for Five Year Defense Program (FYDP) major programs and program elements and establishes staff responsibilities and relationships among the major program and program elements directors.

e. Financial management responsibilities included in AR 10-5, DA Memo 5-9, CSR 11-3 (Army Five-Year Defense Program), and CSR 11-5 which are applicable to security assistance functions are as follows:

(1) Director of the Army Staff

(a) Reviewing and analyzing programs, requirements, resource planning guidance, and allocation policies.

(b) Developing guidance concerning OSD program guidance documents and Army responses thereto.

(c) Providing an analytical and administrative support to the SELCOM and Program Guidance and Review Committee (PGRC).

(d) Developing resource guidance for development of the Program Objective Memorandum (POM) and Joint Force Memorandum (JFM).

(e) Reviewing and analyzing fiscal programs, requirements, resource planning, and allocation.

(f) Maintaining the Army portion of the DOD Five-Year Defense Program (FYDP).

(g) Compiling the Army POM.

(h) Performing cost analyses for all contracts associated with automatic data processing (ADP).

(i) Providing the budget requirements for the ADP Functional Program.

(j) Developing, executing and reviewing the budget for the Army Staff and its staff support activities, and also specifically for their portion of OMAProgram 9 and the Military Assistance Program.

(2) Comptroller of the Army. The Comptroller of the Army (COA) is under the direction and supervision of, and is directly responsible to, the Assistant Secretary of the Army (Financial Management) with concurrent responsibility to the Chief of Staff. He is responsible for:

(a) Establishing and promulgating policy principles, and systems for financing, funding, accounting, and financial reporting for FMS, MAP/Grant Aid, cooperative logistics, and coproduction.

(b) Providing legal advice on fiscal policy, use of appropriated funds, military pay and allowances, pecuniary liability for loss or damage to government property, anti-deficiency act violations, and construction authorization.

(c) Formulating and promulgating uniform policy and principles to be used in establishing and maintaining uniform application of pricing and cost criteria in connection with sales of defense articles and services to foreign governments and international organizations.

(d) Establishing policy and procedures governing the financial transactions resulting from the furnishing of commodities or services to foreign countries on behalf of the Agency for International Development (AID) and representing the Army Staff in the negotiation of financial agreements with AID.

(e) Developing and establishing policy, objectives, and procedures for the accounting and billing of costs associated with MAAGS within the framework of formal agreements made between the Department of State and foreign countries.

(f) Formulating and establishing policy, and procedures for the billing, collection, and reporting of delinquent indebtedness to the Army; and providing collection assistance to Army commands as needed.

(g) Reviewing for reasonableness those cost analyses and cost factors developed by appropriation/program directors which are related to and have overall application to security assistance programs.

(h) Representing the Army on financial management policy and procedural and reporting matters in meetings/conferences with OSD and those involving intradefense and interdepartmental conferences, as well as meetings with foreign governments and international organizations.

(i) Reviewing any case where a DA Staff agency or command has a question as to the proper application of financial policy or a request for exception to such policy is involved.

(j) Providing policy guidance for economic analysis.

(k) Administering the Army contract financing functions at departmental level; formulating, revising, and promulgating regulations to ensure uniform application of DOD contract financing policies.

(l) Developing and prescribing accounting procedures for civilian pay.

(m) Developing Financial Management Subsystems of the Logistics Management Systems.

(n) Developing military pay and allowance procedures relative to implementing Public Laws, Executive Orders, Comptroller General decisions DOD and DA directive, and court decisions.

(o) Liaisoning with and acting as Army point of contact with Congressional appropriation committees.

(p) Formulating the Army budget to include issuing current manpower and dollar guidance; reviewing appropriation directors' submissions; and presenting coordinated budget to the DOD.

(q) Presenting and defending the Army Budget before the DOD, OMB, and Congress.



(r) Executing the approved Army Budget, to include distributing funds to commands and agencies, and monitoring obligations expenditures, and reprogramming actions.

(s) Appropriation Directorship of the Army Industrial Fund (AIF); preparing the AIF budget and coordinating its execution.

(t) Formulating guidance and policy pertaining to the Army Stock Fund (ASF); preparing ASF budget and supervising and coordinating its execution.

(u) Developing and establishing the overall integrated budgeting and funding policies of the Army.

(v) Independently reviewing and analysing selected Army programs included in the budget.

(w) Program Directorship for Major Program 9 (Administrative and Associated Activities) and Administrative Program 11 (Base Operations).

(x) Directorship of the Operations and Maintenance, Army (OMA) appropriation.

(y) Compiling and disseminating Army Program and Budget Guidance to major commands and separate operating agencies.

(z) Costing civilian personnel for budget estimates, command operating budgets, apportionment requests, and special studies.

(aa) Providing advice and technical guidance to the Army Staff, and major commands on financial management and application of policy in the security assistance area.

(bb) Exercising command authority over the US Army Finance and Accounting Center.

(cc) Serving as the functional advisor for the Comptroller Officer Specialty Program and functional chief of the Comptroller Civilian Career Program.

(3) Deputy Chief of Staff for Operations and Plans (ODCSOPS).

(a) Coordinating joint security assistance policy and advising the Joint Staff, of Army views concerning security assistance matters.

(b) Preparing, reviewing and coordinating civilian end strengths and man-years for budget estimates, command operating budgets, apportionment requests, the Budget Execution Review and special studies.

(c) Developing and adjusting military end strengths and troop programs for the current and budget year, to include budget estimates, apportionment requests, and special studies.

(d) Managing the current and budget year end strengths and maintaining the approved force structure in accordance with established priorities for the current and budget year through unit activations/organizations, inactivations/discontinuances, and reorganizations.

(e) Programming military and civilian end strengths in Budget and Manpower Guidance documents.

(f) Formulating the FYDP Telecommunications Subsystem Reports and the Consolidated Telecommunications Program (CTP), COMSEC Resources Program and WWMCCS portion of the POM and CTP budgets for submission to OSD and justifying these budgets to the OSD Director of Telecommunications and Command and Control Systems.

(g) Program Directorship for Major Program 1 (Strategic Forces), Program 2 (General Purpose Forces), Program 3 (Communications), Program 10 (Support of Other Nations -- Non-MAP of MAAGS, reimbursable personnel costs associated with FMS, and support of international military headquarters/agencies) of the FYDP, and the Functional Program Direction of the Army portion of the Consolidated Telecommunications Program, the COMSEC Resources Program, the COMSEC Resources Program, and the Consolidated WWMCCS Program.

(4) Deputy Chief of Staff for Personnel (DCSPER).

(a) Plans, policies and programs for manpower authorization and the management of military personnel, and the management and evaluation of DA civilian personnel administration.

(b) Directorship of the Military Personnel, Army (MPA) appropriation; Program Directorship for Major Program 8 (Training, Medical and Other Personnel Activities) of OMA and Program Element Directorship for Base Operations in the area of personnel support.

(5) Deputy Chief of Staff for Logistics (DCSLOG).

(a) Appropriation Directorship of the Army Stock Fund and for secondary items within the Procurement Appropriations (aircraft,

missiles, weapons, tracked combat vehicles, ammunition, and other procurement).

(b) Financial inventory accounting systems for logistic management purposes.

(c) Transportation and related transportation services required for the movement of persons and things.

(d) Program Directorship of Major Program 4 (Airlift/Sealift) and 7 (Central Supply and Maintenance) of the FYDP and Program Element Directorship for Base Operations in the areas of Supply, Maintenance, Transportation, and Troop Support Operations. Formulates, justifies and supervises Army programs and budgets pertaining to the logistics area for these programs.

(e) Integration of Program 5 (Guard and Reserve Forces) Depot Maintenance requirements into the total Depot Maintenance Program.

(f) Budget Program Directorship of the Military Assistance Program Logistics Budget.

(g) Functional Program Directorship of the FMS Administrative Fee Program. (Added by Memorandum dated 12 January 1977)

(6) Deputy Chief of Staff for Research, Development and Acquisition (DCSRDA).

(a) Formulating and justifying plans, programs and budgets for research, development, test and evaluation (RDTE) and acquisition of materiel from the five procurement appropriations - including computing the "reimbursable order" portion of the budget, and preparing P-4 exhibits for nondirect programs to support the budget.

(b) Managing the integration, funding, and execution of the Army's direct and reimbursable RDTE, and procurement appropriation programs -including monitoring the status of customer orders for MAP, FMS and direct sales, and applying collected RDTE surcharges as an offset to RDTE budget authority or to augment the RDTE program.

(c) Program Directorship of Major Program 6 (Research and Development) of the FYDP.

(d) Appropriation Directorship of the RDTE Appropriation and the Procurement Appropriations (aircraft, missiles, weapons and tracked combat vehicles, ammunition, and other procurement).

(7) Assistant Chief of Staff for Intelligence (ACSI).

(a) Formulating and justifying the Army's portion of the DOD Consolidated Cryptologic Program, General Defense Intelligence Program, and the Counterintelligence and Investigative Activities portion of Program 3-0 of the FYDP.

(b) Formulating, justifying and supervising within overall guidance and policies developed by the COA, for Program 3-I and Counterintelligence and Investigative Activities of Program 3-0.

(c) Managing and budgeting the overseas training of the Foreign Area Officer Program members.

(d) Program Directorship of Subprogram 3-I of the FYDP.

(8) Chief of Engineers (COE).

(a) Formulating, justifying and supervising Army programs and budgets pertaining to Military Construction, Army (MCA), and Facilities Engineering (Real Property Maintenance Activities (RPMA)).

(b) Directorship of the MCA appropriation and Real Property Maintenance Activity portion of OMA Base Operations.

(c) Performing studies and analyses within the Army Study System category in support of planning, programming, budgeting and operational decisionmaking in functional areas of interest.

(d) Administering payment of Standard User Charges to GSA for leased spaces occupied by, and services provided to, all Army activities outside the National Capital Region.

(e) Administering the purchase and sale of utilities services as the DA Power Procurement Officer.

f. Within the organization of the Comptroller of the Army, there is only one organizational element devoted to security assistance - the Security Assistance Accounting Team of the Logistics Accounting Division. This team is primarily responsible for establishing and promulgating DA policy principles and systems for financing, funding, accounting and reporting for all security assistance programs, and DA pricing policy as well as other functions included in paragraph 7. Until 1976 the team was composed of only two civilians, but due to added interest in the programs it was increased in size, and is currently composed of one Lieutenant Colonel and five civilians.



## APPENDIX 2 TO ANNEX I - FINANCIAL MANAGEMENT

### Actions Taken by ASA (FM) and COA To Resolve Financial Management Problems

1. Establishment of the Army Customer Order Steering Committee (ACOSC), composed of general officers and supergrade civilians in the areas of procurement, financial management and military sales, was effected on 10 June 1975 to improve customer order management. Over 50 tasks were established and corrective actions taken by the DA Staff and DARCOM.
2. The Control of Investment Appropriations (COIA) Study Group was established in October 1975, to determine the adequacy of the financial management and control of the procurement, research and development, and military construction appropriations. Twenty-two problem areas with 38 corrective actions resulted from this group's work.
3. The Financial Management Improvement Program (FMIP) was initiated in October 1975 with the COA as the Program Manager. Its primary purpose was to re-establish the basic integrity of financial management during the budget execution process. This program encompassed the activities of the "ACOSC" and the "COIA" study group and included short range plans for corrective actions and long range plans to implement conceptual and system changes.
4. An "Executive Handbook for Financial Management" was compiled and issued by the US Army Institute of Administration as an aid in the understanding and execution of responsibilities in this area.
5. In March 1976, the Secretary of the Army established the "Financial Management Advisory Committee" (FMAC) to look into the corrective actions underway, or needed, in the Army's financial management practices and related fiscal controls exercised over its procurement accounts. The committee, which was comprised of financial experts from industry and the academic world, issued its report on 30 June 1976. The report acknowledged that much was underway to improve management, but that much remained to be done and certain areas would require continued attention from the top Army managers. The committee singled out the customer order program, particularly the "FMS" program as the pervasive cause of the Army's financial problems. The committee reported that the following areas should be intensively managed, and recommended specific corrective actions: Reconciliations; program and fund control; accounting; management evaluation and reporting; pricing; audit; financing customer programs; and structure and resources.

6. After studying the report of the FMAC the Secretary of the Army established the "Financial Improvement Implementation Steering Group" to review, approve and monitor the implementation of the recommended actions. The Secretary also directed that the Steering Group intensively manage the corrective action program during a 90 day period ending 30 September 1976. The Steering Group was chaired by the Under Secretary of the Army and membership included the VCSA, CDR DARCOM, ASA (FM), ASA (I&L) and COA. All FMAC recommendations were addressed by the Steering Group and decisions were made on the direction that the Army would take on each recommendation. Specific policy was established and executing procedures are either in place or in-process of being implemented. The COA was assigned DA level responsibility to oversee the implementation phase and to analyze the results of actions taken with the ASA (FM) providing close monitorship and assistance. The Steering Group is available and on call if significant problems are encountered.

### APPENDIX 3 TO ANNEX I - FINANCIAL MANAGEMENT

#### The Planning, Programming and Budgeting System (PPBS)

1. Fiscal Cycle. The Fiscal Cycle, Figure I-3-1, consists of the executive and legislative actions necessary to provide a yearly operating budget to DOD so that it can support the foreign policies established by the President.

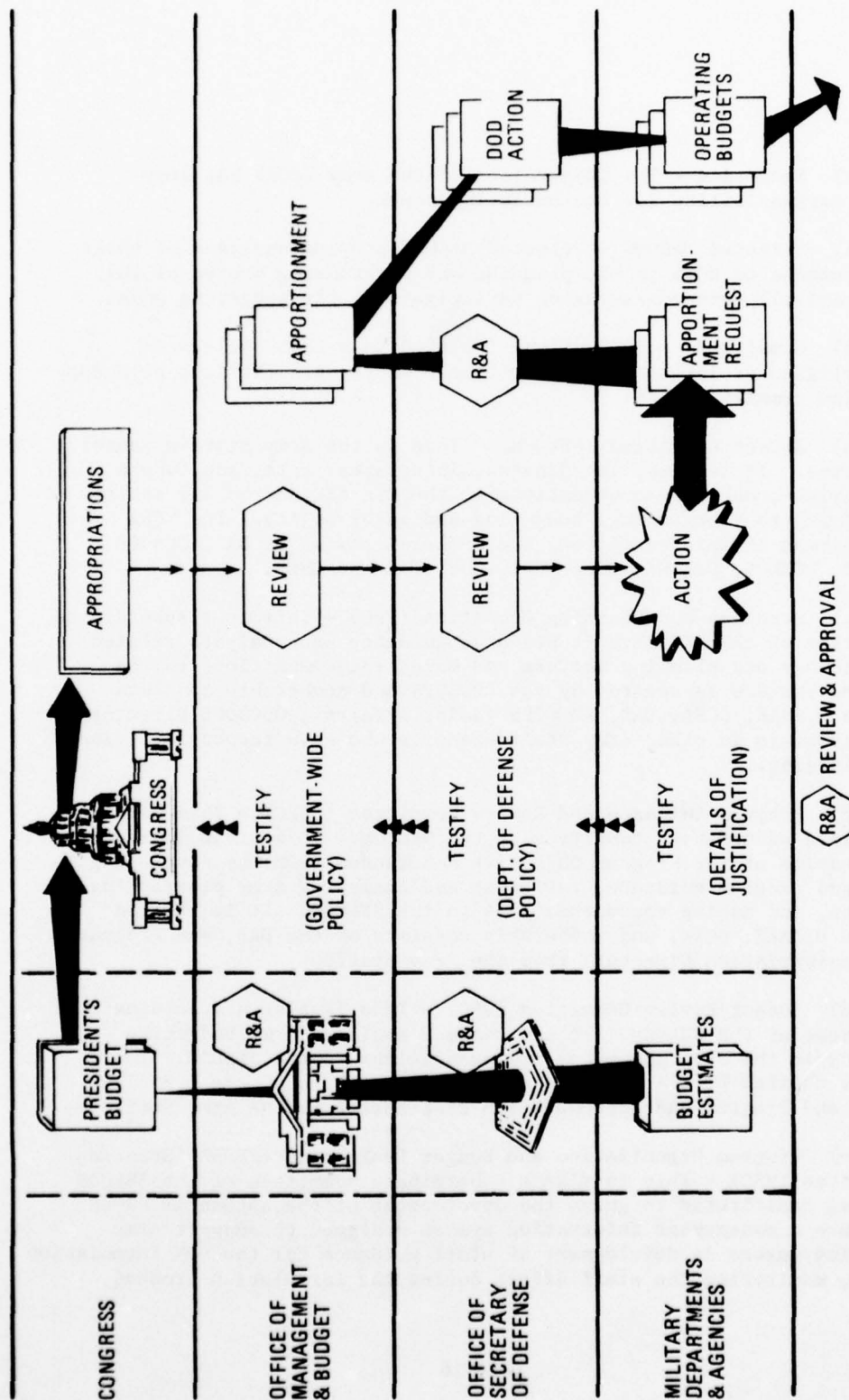
a. It must be recognized that the Fiscal Cycle is not a one-way discourse, but rather an exercise in advocacy: first, between the Joint Chiefs of Staff (JCS) and the specified and unified commands; next, between the DOD components and the JCS; then, between the military establishment and the National Command Authority, and finally, between the executive and legislative branches of the government.

b. The approximately 30 months of the Fiscal Cycle are taken up by four distinct phases - Planning, Programming, Budgeting and Enactment. All phases are interrelated and each dependent on the other. To get to the point where the SECDEF can submit his annual budget, two systems are used which are covered by separate DOD instructions - the first is a JCS Memorandum of Policy (MOP) covering the Joint Strategic Planning System (JSPS) which generates a number of documents used in the Planning and Programming Phases. The second system is "The Planning, Programming and Budgeting System" (PPBS), which is directed by DODI 7045.7. This DODI "... establishes procedural guidance for ... submission, analysis, review, and approval of ... DOD ... budgets ..."

c. Army Regulation 1-1, Planning, Programming and Budgeting Within the Department of the Army, prescribes the Army PPBS and its relationship to the DOD PPBS and the JSPS. This regulation also establishes the purpose, scope and objectives of the Army PPBS, and assigns Army Staff responsibility for major segments of the PPBS. Responsibilities are assigned as follows:

(1) Planning - DCSOPS has Army Staff responsibility for the planning phase and for providing resource allocation priorities with Chief of Staff (CSA) approval, as guidance to the Program and Appropriation Directors.

(2) Programming - The Director, Program Analysis and Evaluation (D,PA&E), Office of the Chief of Staff (OCSA) has Army Staff responsibility for the programming phase, provides the PPBS interface between the Army Staff and the Secretariat, and is responsible to the CSA for the discipline of the PPBS within the Army Staff.



I-14-15

Figure I-3-1, The fiscal cycle



(3) Budgeting - The Comptroller of the Army (COA) has Army Staff responsibility for the budgeting phase.

(4) Selected MACOMS - Selected MACOMS provide analyses of their requirements to HQDA in the planning and programming phases of the PPBS, and all commands/agencies participate in the budgeting phase.

(5) Committees - The actions included in a PPBS cycle are accomplished or influenced by numerous committees. The five principal overview committees are:

(a) Select Committee (SELCOM) - This is the Army Staff's senior committee. It reviews, coordinates, integrates, acts, and, where appropriate, makes recommendations to the CSA/SECARMY on all matters pertaining to programming, budgeting and major policy. The VCSA is chairman of this committee, and members consist of DAS, DCSOPS, DCSPER, DCSLOG, DCSRDA, COA, ACISI, COE, CAR and CNGB.

(b) Strategy and Planning Committee (SPC) - This is a subordinate committee of the SELCOM. It prepares guidance and analyses related to strategy and planning matters and makes recommendations to the SELCOM. The SPC is chaired by the ADCSOPS and membership consists of the D,PA&E, OCSA, DAB, ADCSOPS (Joint Affairs), ODCSOPS Directors, and Directors in other Army Staff agencies who have responsibilities for planning.

(c) Program Guidance and Review Committee (PGRC) - This committee is also a subordinate committee of the SELCOM. It assists in the preparation of the Program Objective Memorandum (POM) by developing proposed program guidance, reviewing and analyzing Army programming actions, and making recommendations to the SELCOM. It is chaired by the D,PA&E, OCSA, and membership consists of the DAB, and Program and Appropriation Directors from the Army Staff.

(d) Budget Review Committee (BRC) - This is also a subordinate committee of the SELCOM. It reviews and analyzes Army budgeting actions in the PPBS and makes recommendations to the SELCOM. The BRC is chaired by the DAB, and membership consists of the D,PA&E, OCSA, and Program and Appropriation Directors from the Army Staff.

(e) Program Organization and Budget Evaluation (PROBE) Steering Committee (PSC) - This is also a subordinate committee of the SELCOM and was constituted to guide the development of the automated PROBE system - a management information system designed to support Army decision makers in development of staff guidance for the POM formulation cycle, monitoring the staff effort during the formulation process,

evaluating submissions of program variations from the approved Five Year Defense Program (FYDP), monitoring the budget formulation process, determining budget impacts on out-year programs, and formulating Army input for automatic FYDP updates. The PSC is chaired by the D,PA&E, OCSA and membership consists of DAB, DADP-OCSA, DMIS, Director - US Army Management Systems Support Agency and Appropriation Directors from the Army Staff.

(6) Army Five Year Defense (FYDP). CSR 11-3, this title, provides an overview of the FYDP to include its structure and management information that can be obtained from FYDP documentation. It also establishes FYDP responsibilities, documentation requirements and procedures required for its preparation, update, and publication. The DOD FYDP data base is the primary analysis tool used by OSD to: evaluate Program Objective Memorandums (POMs) submitted by the Army and other MILDEPs; develop the DOD budget submission; and, reflect and interpret the impact of the President's Budget Decisions (PBDs) on the DOD program. Therefore, it is in the Army's best interest to increase its capability to communicate with OSD in FYDP language, reconcile Army resource management reports with the DOD FYDP, and maintain an Army FYDP data base that is consistent with the DOD data base.

(7) Structure - The DOD FYDP is essentially a data base made up of ten major programs and one administration program, that define the mission and support responsibilities of DOD. The Army has defined subprograms within the DOD structure to support logistical resource management stratifications and provide consistency with the organizational structure of the Army Staff. Each program/sub-program is divided into individual program elements (PEs) to provide total visibility to the mission or support functions. The major program/subprogram structure for DOD/Army is shown in paragraph 12.

(8) FYDP Updates - Although OSD may direct FYDP updates on an as required basis, it is updated three times a year as follows:

(a) January - In early January the budget year is updated to coincide with the President's Budget. In the latter part of January, the FYDP outyears are updated to reflect the impact of PBDs. This month's update is the base point for the calendar year's POM cycle, and is probably the most critical to the PPBS.

(b) May - This update reflects resource allocations of the proposed Army POM which expresses the DA position on how the Army portion of the FYDP should look.

(c) October - This update revises the May FYDP to reflect DOD decisions relative to the Army POM submission and provides the initial budget estimates for joint OSD/OMB review. It is probably the most critical to the budget phase of the PPBS.

(9) FYDP Documents.

(a) The official DOD FYDP is published following each update. It contains a summary volume showing the allocation of manpower, dollar, and structure resources at the program and PE level of detail and a procurement annex that shows that program by line item in quantity and dollars. An FYDP Historical Summary and Program is published annually following the May POM/FYDP cycle and provides an audit trail from 1962.

(b) Following each update, several Army resource management reports are published to support specific requirements such as the FYDP Telecommunications Systems. An Army FYDP is published annually following the January President's FYDP update, and contains a summary volume and individual volume for each of the 10 programs.

2. Congressional Authorizations and Controls Over Army Procurement Appropriation.

a. When the Army Procurement Budget reaches Congress, it is reviewed by the Armed Services and Appropriation Committees in both the Senate and House of Representatives. The Armed Services Committees develop and recommend authorizing legislation each year, and the Appropriation Committees develop and recommend funding action within targets established by the Budget Committees. Normally, there are no fiscal subdivisions within the authorization and appropriation acts, and funds are provided with few strings attached. The appropriation acts identify a dollar ceiling, but do not place a dollar limitation on each individual line item of equipment comprising the appropriation. The Office of the Secretary of Defense, however, has established certain program controls on a line item basis.

b. In approving the annual procurement program, informal agreements have been reached whereby Congress depends on controls established by the Office of the Secretary of Defense. Based on these understandings, the Office of the Secretary of Defense places restrictions on how much can be spent, and on how many units can be bought for each line item on the approved shopping list. These line item limitations are program authorization restrictions and not fiscal limitations subject to Section 3679 of the Anti-Deficiency Act. A Section 3679

violation would occur if obligations exceeded the appropriation in total or a formal subdivision of the appropriation. Program line item controls are treated within Defense as an extension of the authorizing legislation while the fiscal limitations are considered an extension of the Appropriation Act. The Appropriation Act also provides some very limited authority to the Secretary of Defense for transfers between appropriations under certain circumstances within a specified threshold.

c. Some reprogramming is allowed at the program line item level for a practical reason. Responsible officials in both the legislative and executive branches recognized that price estimates developed at least nine months before the budget year starts and **sometimes** as much as three years before contracts are awarded, cannot be very precise. They also recognized the impracticality of going back to higher headquarters for approval of minor upward adjustments within the total appropriation for each individual purchase especially when administrative delays could involve stoppage of production lines, expiration of options, extra costs and equipment shortages. There is a general recognition that some items will cost more and other items will cost less than the amounts estimated in the approved budgets. Therefore, a threshold has been allowed for reprogramming of up to \$5 million between direct Army line items in the same program year (except for designated Congressional interest items) and establishment of new program line items on a limited basis involving up to \$2 million. Adjustments above these thresholds require prior approval from Congressional committees.

3. Army Management Structure. The main objective of the Army Management Structure is to provide an integrated structure and specific definitions for use at all levels of command to control programming, budgeting, accounting, and reporting of all resources consumed by the Army. The numbers and symbols used become a language that is commonplace today and is required to describe action taken, i.e., all financial transactions must be identified as to the source of funding, purpose for which used, and nature of the expense.

4. Sources of Funding.

a. Congressional Appropriations. These are the primary sources for the Army's financial requirements. Appropriated funds are functional in nature. The principal types can be categorized as operating funds, investment funds, and research funds. Another category is working capital funds, which are established for a unique operation. Specific coded symbol numbers are assigned to identify the type of fund for accounting and reporting purposes only.



b. Operating Funds. These funds include appropriations that are used to meet the daily or operating needs of the Army. The operating fund appropriations are as follows:

<u>APPROPRIATION</u>	<u>APPROPRIATION DIRECTOR</u>
(1) Military Personnel, Army	ODCSPER
(2) Operation and Maintenance, Army	OCA
(3) National Guard Personnel, Army	NGB
(4) Operation and Maintenance, Army National Guard	NGB
(5) Reserve Personnel, Army	CAR
(6) Operation and Maintenance, Army Reserve	CAR
(7) Family Housing Maintenance Account	OCE
(8) Military Assistance, Executive	OCA

c. Investment Funds. These funds are used primarily to finance building, real estate, and major items of equipment. Investment funds are appropriated for specific projects and include the following:

<u>APPROPRIATION</u>	<u>APPROPRIATION DIRECTOR</u>
(1) Aircraft Procurement, Army	ODCSRDA
(2) Missile Procurement, Army	ODCSRDA
(3) Procurement of Weapons and Tracked Vehicles, Army	ODCSRDA
(4) Procurement of Ammunition, Army	ODCSRDA
(5) Other Procurement, Army	ODCSRDA
(6) Military Construction, Army	OCE
(7) Military Construction, Army National Guard	NGB

(8) Military Reserve	CAR
(9) Family Housing Management Account (For Construction Only)	OCE

d. Research Funds. These funds are provided by the Research, Development Test and Evaluation Army Appropriation to conduct and support research and development activities, including the maintenance of research facilities within the Army. The staff responsibility for appropriation director for these funds is ODCSRDA.

e. Working Capital Funds. These funds are theoretically a self-sustaining means for conducting and supporting a specific type of operation, e.g., the Army Stock Fund (ASF) and Army Industrial Fund (AIF). The staff responsibility for appropriation director for the ASF is ODCSLOG and that for AIF is OCA.

#### 5. Program Structures.

a. Within the appropriations, various budget programs have been established. These programs become the focal point around which the financial management cycle revolves. The programs are performance oriented and are formally structured for organized direction and control of Army activities. Installation managers are required to budget, control, and report the use of financial resources in terms of Army programs.

b. The Army Management Structure is designed to conform to the Department of Defense Structure of the Five Year Defense Program (FYDP). The Army has defined subprograms (indicated by asterisks) to support logistical resource management stratifications and provide consistency with the organizational structure of the Army Staff. The ten major programs and one administration program (BASOPS) currently comprise the Army/DOD structure.

<u>FYDP MAJOR PROGRAMS</u>	<u>PROGRAM DIRECTOR</u>
(1) Program 1 - Strategic Forces	DCSOPS
(2) Program 2 - General-Purpose Forces	DCSOPS
(3) Program 3 - Intelligence and Communications	DCSOPS
* 3C - Communications	DCSOPS

* 3I - Intelligence	ACSI
* 30 - Other	DCSOPS
(4) Program 4 - Mobility Forces	DCSLOG
(5) Program 5 - Guard and Reserve Forces	DCSOPS
(6) Program 6 - Research and Development	DCSRDA
(7) Program 7 - Central Supply and Maintenance	DCSLOG
* 7S - Supply	DCSLOG
* 7M - Maintenance	DCSLOG
(8) Program 8 - Training, Medical, and Other	DCSPER
General Personnel/Activities.	
8T - Training	DCSPER
8M - Medical	TSG
8O - Other	DCSPER
(9) Program 9 - Administrative and Associated	
Activities	OCA
(10) Program 10 - Support of Other Nations	DCSOPS
(11) Program 11 - Base Operations (BASOPS)	OCA

6. Fund Distribution.

a. Concept.

(1) The use of the term "funds" implies that authority to create obligations against the US Government has been granted. An obligation

is an action that will bind the Government to pay a known or estimated amount. Distribution of funds is any documented action that makes funds available for obligation. This distribution is made in a stated amount for specific purposes and to a specific organization.

(2) The authority to incur obligation is received on a Fund Authorization Document (FAD) specifying the appropriation and budget programs for which the funds may be used and imposing both administrative and legal restrictions and limitations. This process is used to facilitate control over funds and the reporting of violations of laws and directives.

b. Basic Policy.

(1) Although distribution of funds is a means of controlling obligations and fixing responsibility, the policy is to minimize the formal distribution and finance an operation at the highest practicable level. As an example, the Military Personnel, Army, appropriation is held and controlled centrally at HQDA; whereas, the Operation and Maintenance, Army, appropriation funding, by necessity, will be formally distributed through the major commands to their installations and decentralized for control.

(2) To achieve the Army's objective of integrating programming, budgeting, and financial control in one financial management system, the principal responsibilities for financial control must be decentralized and aligned with management responsibilities.

c. Antideficiency Act. The commander who receives a funding document authorizing him to incur obligations is, at that moment, subject to AR 37-20, the Army's implementation of RS 3679. RS 3679 prohibits any officer or employee from authorizing obligations, disbursements, or further distribution in excess of the amount of funds made available to him. This provision is enforced by severe penalties, which include suspension; removal from office; or, if done knowingly, a \$5,000 fine and/or imprisonment for not more than two years. The content of RS 3679, DODI 7200.1 and DA implementing instructions are published in AR 37-20.

7. Program and Fund Control.

a. Based on the President's budget and known Congressional actions, the Army prepares an apportionment request just before the beginning of each fiscal year seeking approval of an annual program. Formal apportionment is requested and accomplished after passage of the appropriation act. Before the fiscal year starts,



a list of separate line items for Army use and one line item to cover total estimated reimbursable sales is prepared and submitted to the Office of the Secretary of Defense. This list provides a vehicle for the Office of the Secretary of Defense to reprogram, disapprove, or defer individual program line items. In conjunction with the program approval on the marked-up line list, the Office of the Secretary of Defense Comptroller provides funding authorization by Memorandum within the constraints of the continuing resolution and/or the appropriation act. This memorandum authorizes obligations against reimbursable orders up to the amount of FRA or the amount of customer orders received, whichever is the lesser. The warrant authorizing payments out of the US Treasury to match new obligation authority is received by the Army directly from the Treasury Department. The cash balances authorized by the Treasury Warrant are retained at Department of the Army level.

b. As mentioned previously, the approved budget plan for financing any authorized direct Army purchases includes new obligation authority and anticipated funds from other sources. If the other resources anticipated in the approved financing plan are not realized, the direct Army program (shopping list) must be adjusted downward. If more resources are realized than anticipated in the approved financing plan, OSD may allow the excess funds to be applied to items on an approved decrement list.

c. The central fiscal agencies and the Office of the Secretary of Defense prescribe rules and regulations associated with accounting and reporting in relation to the approved budget. Criteria are established for recording obligations and customer orders and for making periodic reports on the status of funds, disbursements and collections. Various internal control features are prescribed, including requirements for annual certified reports showing the status of budget execution for each appropriation.

d. The Army maintains a key distinction between fiscal and program (line item) control within the procurement appropriations. Fiscal and program authority is distributed and controlled separately by the Army through different systems and different staff channels. The Comptroller of the Army maintains fiscal control while the Deputy Chief of Staff for Research and Development and Acquisition maintains program control. The distribution of fiscal authority is at a broad level while program distribution is at a line items level within each appropriation.

(1) Fiscal Control. Funds are apportioned by Office of Management and Budget and authorized by the Office of the Secretary of Defense

in bulk, i.e., a single dollar amount is shown for the total direct program and a single dollar amount is shown for the total anticipated reimbursable sales. The Comptroller of the Army, however, allocates only one total dollar amount; footnoted to show direct and reimbursable programs. DARCOM suballocates funds in bulk to its major subordinate commands. In some cases, DARCOM specifically earmarks a part of the suballocation where the management responsibility is vested in a project manager reporting directly to the Commanding General, DARCOM. Otherwise, the remaining budget lines are managed by commodity managers located at major subordinate commands. The major subordinate commands allot funds to installations where they are obligated.

(2) Program Control. Based on the approved program received from the Office of the Secretary of Defense, the Procurement Appropriation Manager (formerly Deputy Chief of Staff for Logistics, now the Deputy Chief of Staff for Research, Development and Acquisition) issues direct program authority to DARCOM and other major commands at line item level where it is further subdivided to Major Subordinate Commands. Well over 90% of the Army Procurement Program is managed by DARCOM. The amount of Program released should control the funds that activities such as DARCOM can use. There are no individual program line items for reimbursable sales so program is bulk released quarterly or as required in anticipation of the receipt of customer orders.

(3) Generally, funds cannot be obligated until customer orders are received, and then, according to the rules for control of program and funds, obligations for these customer orders cannot exceed their value. An exception to these rules is when reimbursement to the procurement appropriations are less than obligations for customer sales when items are sold to the Foreign Military Assistance Program (Grant Aid) at standard prices and their replacement cost is greater.

## APPENDIX 4 TO ANNEX I - FINANCIAL MANAGEMENT

### Accounting System and Reporting

#### 1. Overall Finance and Accounting System.

a. Authority. The Army Finance and Accounting system is designed in conformance with the requirements of the Budget and Accounting Procedures Act of 1950, as amended. Other guiding requirements include:

- (1) Principles and standards prescribed by the Comptroller General of the United States.
- (2) Reporting requirements of the Office of Management and Budget, the Treasury Department and other government agencies.
- (3) Policies and procedures established by the Assistant Secretary of Defense (Comptroller), and the Assistant Secretary of the Army (IL&FM).
- (4) Principles and standards prescribed by Headquarters, Department of the Army. These are published in AR 37-54, Principles and Standards Applicable to Army Accounting Systems, 5 March 1974.

b. Accounting System. The Army's finance and accounting system is based on the concepts expressed in DOD Directive 7000.1, Resource Management Systems of the Department of Defense. It can be viewed as a synthesis of some 30 different accounting systems supporting different levels of command and varying Army missions. Fundamental distinctions are made between accounting for operations, investments or capital acquisitions, research and development, and working capital. Accounting for operations is concerned with expenses incurred by all operating activities during an accounting month. Accounting for investments focuses on the acquisition costs of plant and equipment regardless of the length of time involved in the acquisition process. Accounting for research and development is concerned with project costs, as well as operating and investment costs. Working capital accounting includes the Army stock fund, industrial fund and management fund systems. Interrelated parts of the accounting system include specialized large functional systems such as for military and civilian pay. The interrelationship among the various parts of the accounting system as well as their interfaces with other management information and control systems, such as personnel and supply, are taken into account in the design and development of accounting systems to maximize the use of common input data and to assure the integrity of output data.

c. Objectives of the Accounting System. The major objectives for which the Comptroller of the Army sustains a continuing effort to improve are as follows:

(1) Establish and maintain records and accounts of financial transactions and summaries of each accountable person or organization to:

(a) Provide full disclosure of the financial results of Army activities. This requires bringing together into an integrated Army system all financial transactions concerned with appropriations, apportionments, commitments, obligations, receipts, disbursements, accrued expenditures and revenues, assets, liabilities, costs and property.

(b) Produce adequate financial information needed for Army management purposes. This involves timely, complete, dependable, and accurate financial data on the status of funds, costs and property, for use in budgeting, funding, and current and long-range planning and programming.

(c) Provide effective control over and accountability for all funds, property, and other assets for which the Army is responsible. This includes compliance with legal and administrative limitations on commitments, obligations, disbursements and investments in property and other assets.

(d) Provide reliable accounting results to serve as the basis for preparing and supporting Army budget requests, for controlling the execution of the budgets, and for providing financial information required by the Office of Management and Budget.

(e) Provide suitable integration with central accounting and reporting operations at the Treasury Department.

(2) Provide for prompt and accurate payment of accounts to Army personnel, contractors, and other vendors for services rendered and materiel furnished; this includes determination of entitlement to and propriety of such payment.

(3) Provide for the prompt collection of all amounts due the Army or the US Government.

d. Relationship with Management. Effective finance and accounting play a vital part in economically attaining management's objectives. Finance furnishes a basis for prompt disbursement and collection of public funds. Accounting furnishes a framework which can be fitted to assignments of responsibility by management for



specific areas of activity. The accounting results provide the basis by which management's progress can be measured. Management can control current operations and forecast future operations with greater confidence if finance and accounting results demonstrate how past performance was actually accomplished under a given set of circumstances.

e. Organizational Entities.

(1) U.S. Army Finance and Accounting Center (USAFAC). USAFAC, located in Indianapolis, Indiana, is the focal point for all accounting and financial operations in the Army. USAFAC is charged with the maintenance of the DA general and subsidiary ledgers, the preparation of consolidated financial and fiscal reports for HQDA, and submission of reports to OMB, Treasury Department, OSD, HQDA Staff and other military and governmental agencies. The maintenance of these ledgers and compilation of reports are based upon data furnished by accounts offices and/or installations.

(2) Special Operating Agency.

(a) A Special Operating Agency (SOA) is an organization which receives funds allocated by COA and has limited authority to suballocate those funds to designated General Operating Agencies under its jurisdiction.

(b) Each SOA maintains general ledger accounting and controls over the funds allocated to it.

(c) There are two SOA's currently functioning: Headquarters US Army Materiel Development and Readiness Command, and Headquarters US Army Communications Command.

(3) General Operating Agency.

(a) A General Operating Agency (GOA) is an organization which receives funds either by suballocation from an SOA or by allocation from COA and has authority to further distribute those funds by allotment - rather than suballocation. GOAs 6A, 6B, 6C, 62, 65, and 67 are subordinate to the Materiel Development and Readiness Command. GOAs A2 and A3 are subordinate to the Communications Command. In total, there are currently 44 GOAs.

(b) In addition to maintaining general ledger accounting and controls over the funds allocated or suballocated to it, each GOA is responsible for overall supervision, management, and control of its financial resources.

f. Accounts Office.

(1) An Accounts Office is an accounting activity designated by each GOA to perform its accounting and reporting functions. The Accounts Office is usually in the same physical location as the GOA, but where the workload is relatively small or where adequate resources are not available, the GOA's accounting and reporting functions may be satellited on the Accounts Office of another organization.

(2) Each Accounts Office prescribes conditions and establishes reporting discipline over the finance and accounting offices assigned to it. Currently, there are 26 accounts offices servicing the 44 GOAs.

g. Accounting Classification Structure. Each receipt and expenditure transaction and transactions related thereto (i.e., commitments, obligations, costs, and expenses) must be categorized and recorded as necessary for management and reporting requirements. The Army accounting classification structure provides the categories and identifiers for this purpose. Receipt, appropriation, and other fund account symbols and titles are assigned by the Department of the Treasury. There are six major categories of accounts: General Fund; Management Fund; Revolving Fund; Special Fund; Deposit Fund; and Trust Fund. Army Regulation 37-100 is the basic regulation in this area.

h. Army Management Structure (AMS). The AMS (AR 37-100-XX) is the official Army framework for interrelating programming, budgeting, accounting, and manpower control through a standard classification of Army activities and functions.

i. Reporting.

(1) General. Based on the accounting records, reports are produced to satisfy management and control needs of all organization levels within the Army, and of the Office of the Secretary of Defense, the Office of Management and Budget, and the US Treasury. At all levels, there is a responsibility for interpretation of the information and initiation of any change or corrective action deemed necessary.

(2) There are two types of fund accounting reports prepared by Army activities. In general, they are classified as status reports and expenditures (receipt and outlay) reports.

(a) Status Reports. These reports contain information on the receipt and control, and the status of utilization of funding from congressional appropriations and the reimbursement process. They include the following, as applicable to the particular appropriation or fund concerned: funding program, commitment authority, obligation

authority, expense authority, reimbursable orders accepted, commitments, obligations, accrued expenditures, disbursements, expenses, reimbursements earned, and reimbursements collected. Reports from each installation level are prepared monthly by the Finance and Accounting Office (F&AO) accomplishing the accounting for the organization concerned.

(b) Expenditure Reports. These reports consist of data pertaining to cash accountability, collections, and disbursements. The reports contain Statement of Accountability, Statement of Transaction, and Statement of Intefund Transaction data. Statement of Accountability and Statement of Transactions reports are prepared by every F&AO that is also designated a Disbursing Office. Statement of Interfund Transactions reports are prepared by F&AOs concerned. The reports are transmitted direct to USAFAC with concurrent transmissions to the MACOMS. USAFAC processes the F&AO reports and consolidates them into Army reports for use at HQDA and for submission to the Secretary of Defense and the Treasury Department.

2. Procurement of Equipment and Missiles, Army (PEMA) Management Accounting and Reporting System (PEMARS) (Now Known As APARS).

a. AR 37-120, as amended, establishes principles, policies, and procedures for management of the Army procurement appropriations in the program, financial, procurement, accounting and reporting functional areas. This regulation:

(1) Define the functions, responsibilities and interrelationships of the management subdivisions of APARS.

(2) Prescribe the basic procedures and document flow in connection with programming, funding, and procurement operations.

(3) Prescribes the accounting procedures for the control and recording of APARS data elements.

(4) Prescribes general ledger accounts and special accounting requirements pertaining to the appropriations.

(5) Provides procedures and guidance for the accounting and control of commitments, obligations, and disbursements in relation to the approved APARS program.

(6) Outlines procedures and special considerations applicable to the Customer Order Program including MAP Grant Aid and FMS.

(7) Provides an item code which furnishes all echelons with the capability of relating all information and transactions in the system, e.g., Budget and Program Line Items.

(8) Prescribes instructions for "one" report package - "The APARS Management Report" which is subdivided into sections for "Status of Programs", "Status of Funds", "Status of Procurement Actions", and General Ledger Trial Balances.

b. Customer Order Control Points (COCP) were established in 1975 by the CDR DARCOM at each commodity command, and made responsible for complete control of all reimbursable customer orders from initial receipt through final closeout, including periodic reconciliation throughout the life of an order. The COCPs were required to be located within the Office of the Comptroller at each command and under his responsibility. Prior to this, the control of customer orders, if any, was accomplished in the International Logistics Directorate of the commodity commands, and there was negligible coordination with the financial personnel. All reimbursable customer orders were and are required by HQDA policy to be routed through the COCP prior to any action by other organizational elements and control procedures have been established at the commands to ensure this accomplishment.

c. The Integrated Command Accounting and Reporting (ICAR) and Data Element Management/Accounting Reporting (DELMAR) systems for expedited expenditure reporting to the U.S. Treasury are the systems presently being used to manage the accounting and reporting functions. Although efforts had been made to incorporate accurate line item information, the data for both the direct and customer order program is not accurate or adequate to control to the essential level of detail in the overall appropriations. The Army Procurement and Accounting Reporting System (APARS), formerly PEMARS, is intended to solve this problem. Part of the difficulty associated with managing the APARS system is recognized to be that it creates an additional channel of procurement report processing within the finance and accounting system. The basic report flows can be compared on the diagram shown in Figure I-14-1. The major differences in flow is that APARS passes through the channels that control program and funds while ICAR does not. Since the APARS system is directly tied to the commodity commands, DARCOM headquarters and Army headquarters all of the essential program status and expenditure data can be centrally recorded and displayed in reports. The integration of DARCOM into the flow through APARS is a major step.

d. In its report, the FMAC concluded that the APAR System did not effectively record, account for or reconcile key data for the procurement accounts. These and other deficiencies were also noted in the Comptroller General's report of March 1976 to the Congress.



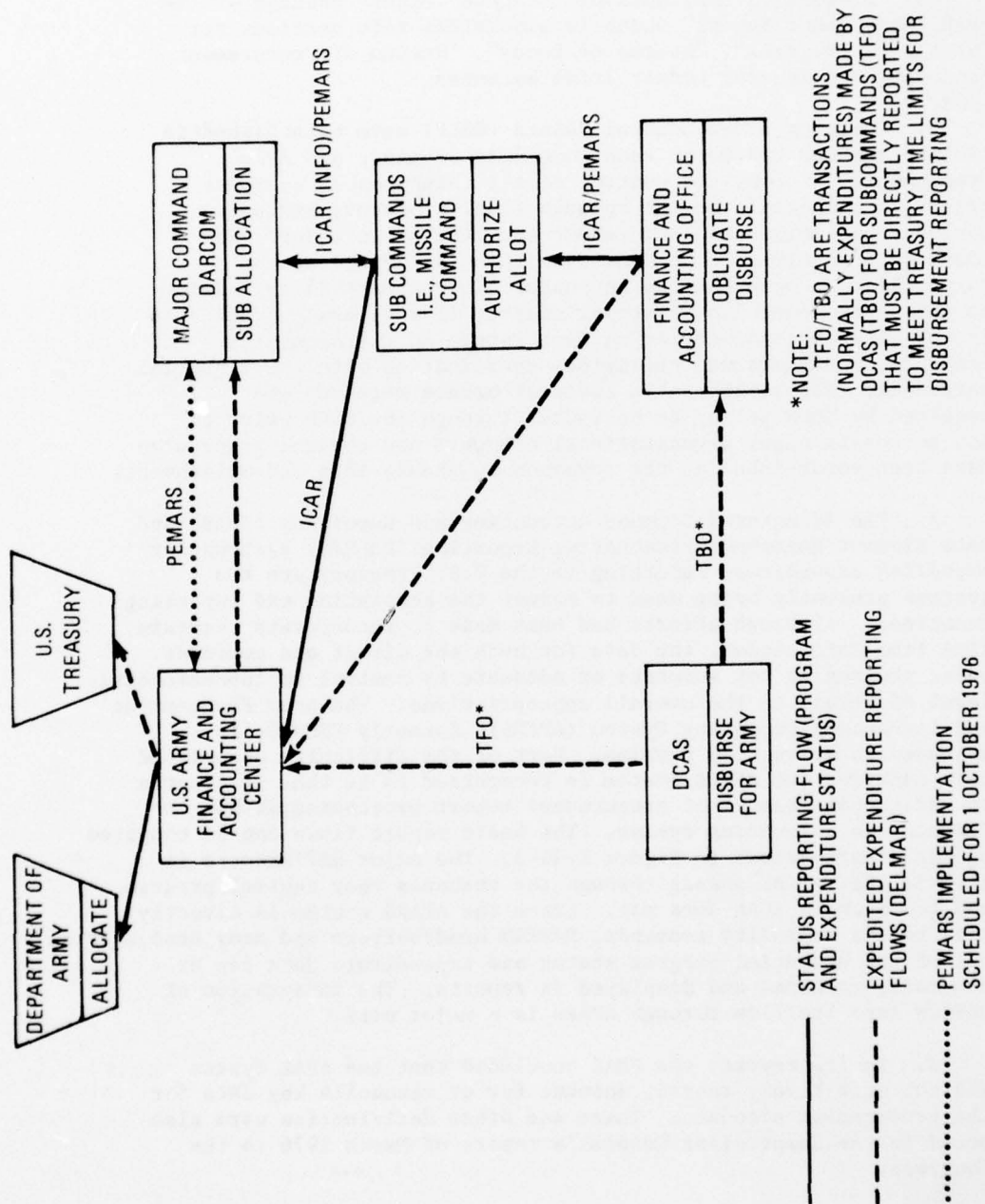


Figure I-4-1, Major procurement related accounting systems general reporting concept

e. Background.

(1) The Army's finance and accounting system did not effectively record, account for or reconcile key data for its procurement accounts. For example, as noted in a Comptroller General Report, dated 3 March 1976 to the House Committee on Armed Services, the system failed to capture and readily identify Augmentation and Modernization fund generation. In addition, the program status as reflected on the Appropriation Status by program report (1002) which is generated from the Army Finance and Accounting system did not agree with the actual program status as it was reflected in the manually developed Report of Programs (1416) which is submitted to Congress. The lack of timely and accurate information, resulting from the inadequacies of the finance and accounting system, created voids in information and seriously detracted from effective management due to the lack of accurate and current information. This condition was significantly compounded by the major increases in the volume of financial system transactions resulting from the growth of the Foreign Military Sales Program. Specifically, the Army has not totally implemented its Procurement of Equipment and Missiles, Management Accounting and Reporting System (PEMARS), now Army Procurement Accounting and Reporting System (APARS), which is intended to be its primary financial management system for the procurement appropriations. In addition, the Commodity Command Standard System (CCSS) which is intended to be the Army's primary logistics-based system has only been partially implemented relative to the procurement appropriations. As a consequence, the Army experienced great difficulty in integrating and reconciling the procurement appropriation data it maintained within the systems it was operating. The general lack of detailed knowledge of the accounts contributed to the overall problem and lack of timely corrective actions.

(2) A basic need of the procurement system is to have a uniform base for accounting and reporting for the customer program. This base is the line item which is a common building block of the programming and budgeting system which summarizes, i.e.,:

Appropriation 2034 Procurement of Ammunition, Army

Budget Activity Codes: 4100 Ammunition  
4900 Production Base Support

Budget Line Item: #105 105MM rounds  
#106 90MM AT

The existing Integrated Command Accounting Reporting System (ICAR) did not accurately reflect directly appropriated line items and does not account for any individual line items for customer orders.

Thus, all that was available at HQDA is one summary line for the entire customer program. This did not allow any visibility into the customer program or enable effective analysis of the impact of the reimbursable program on the direct program. Furthermore, accurate program level data which is essential to management of the procurement appropriations was not reflected within reports generated by the financial accounting and reporting system.

(3) A major contributing factor to the financial management problems of the Army was the inability of the finance and accounting systems and logistics systems to control the customer order program (reimbursable program which includes FMS as its major element) which grew to approach the Army's directly funded appropriated program approved by Congress. The Army elected to accommodate this massive program increase within existing procedures and systems and to accomplish customer order procurement through reimbursing the directly funded program. This decision was evolutionary and the impacts of this policy, and the overall financial and accounting system weaknesses were not recognized. Continuing anticipation of the implementation of its automated systems, coupled with inadequate ADP system support, and general lack of top management emphasis on the implementation of proposed systems, led in part to loss of control, and the resulting problems. Overall, the development of automated accounting and reporting systems had not kept pace with the needs of financial managers. Since 1965 the extensive efforts that had been expended to implement the automated financial and logistical systems to control the procurement appropriations from both a financial and logistics viewpoint have proved less than effective. Adequate systems could have helped to identify and possibly prevent some of the serious problems. There have been attempts since the early 1960's to implement ADP systems to manage the procurement appropriations. The three following major systems which are still currently under various stages of development/interface, are intended to provide information and controls for the procurement appropriations and the customer order program.

(a) Centralized Integrated System for International Logistics (CISIL). CISIL was developed to integrate all elements of DARCOM whose mission involves the control, supply, and billing of international logistics programs. It intends to eliminate duplication of records, reduce manual operations and provide for execution of international logistics requirements in a timely and efficient manner. CISIL was primarily implemented at the US Army International Logistics Command (USAILCOM). This should be the Army's focal point for international logistics orders, to include information on orders received, bills to SAAC and reimbursements to direct Army appropriations. Most of the international logistics cases are sent by USAILCOM to the Army's commodity commands for logistic fulfillment. Cases

monitored by USAILCOM are generally satisfied by the Defense Supply Agency and the General Services Administration. CISIL was essentially completed when the OSD decision was made in September 1976 to transfer billing to and collection from FMS customers, and Trust Fund Accounting to SAAC. Due to this, the financial system portion has to be redesigned.

(b) Procurement of Equipment and Missiles, Army-Management Accounting and Reporting System (PEMARS), now APARS. APARS is intended to be the accounting and reporting system for all procurement appropriations on a from inception basis. It is to function as a two-way system passing data to subordinate commands on the level of approved program and available funds, and passing data back through the system on the status of execution of the program and expenditure of funds. Certain of the functions and output listings of APARS were designed to control the customer order program since it is "piggybacked" on the procurement appropriation. That is, customer orders are considered as reimbursable to the procurement appropriations.

(c) Commodity Command Standard System (CCSS). CCSS is a standardized system for wholesale inventory management operations at the DARCOM commodity command level. It will include information on the procurement appropriations as well as operation and maintenance, Army, and stock fund items. CCSS data base information will be one of the basic inputs for CISIL, and operates as a part of the automated DARCOM logistics program which is commonly referred to as ALPHA.

(4) Overall, the Army has been less than successful in implementing and interfacing its ADP systems intended to control today's multi-billion dollar customer order program and procurement appropriations. This deficiency is directly related to the continual delay that has been experienced in implementing automated finance accounting systems which were designed in part to control the customer order program and to provide information on its impact on directly appropriated program. The implementation and reconciliation of these systems are considered essential for the reestablishment of fiscal integrity for the procurement process. The concept of system interface is considered basic to gaining effective control of the customer process. Each system contains a part of the necessary data elements that must be reconciled to effectively control the overall integrity of the systems and their financial and logistics data. As indicated elsewhere in this Chapter, it is recognized that significant steps have been and are being taken to improve the APARS, and to interface this system with the others.



## APPENDIX 5 TO ANNEX I - FINANCIAL MANAGEMENT

### Financial Policies and Procedures for Security Assistance Programs

#### 1. Funding.

a. Except for MAP (funded by the "1080" series of Congressional appropriation) sales made under special agreement, e.g., those with Germany covering a special deposit (AR 37-82), procurement of non-standard defense items for countries (Direct Citation of Trust Funds), and Cooperative Logistics Support Agreements (AR 37-38 and AR 750-12), etc., the sale to eligible recipients are funded under the authority of various sections of the Security Assistance Acts (FAA, FMS, and Arms Export Control) as amended. These Acts, implemented by AR 37-80, dated 1 October 1970, as amended, provide for the following basic types of terms of sale:

(1) "Cash-in-Advance". The amount of payment is the entire estimated value of the FMS case, and is made at the time of acceptance of the LOA (DD Form 1513). The customer is liable, and is billed, for any costs in excess of those originally estimated.

(2) "Dependable Undertaking (DU)". These terms can be applied for sales from both defense stocks and new procurement or the sale of services. Applied to sales from stocks and services, these terms commit the customer to make payment prior to time of shipment or the performance of services. Applied to sales from procurement including those for services, the terms commit the customer to make payments at such times and in such amounts as are required to meet all payment requirements of the contracts, including advance/progress payments required and cancellation costs, i.e., the estimated costs are required to be made by the customers in advance and are kept in their trust fund account until required.

(3) "120-Day Payment". These terms may be offered/applied for the sale of items from stock or new procurement, or the sale of services only when authorized by the President upon his determination that it is in the best interests of the U.S. These terms mean a period not to exceed 120 days after the end of the month in which delivery of materiel or performance of services occurred.

b. Procurement of Long Leadtime Items. There are two form Letters of Intent used to finance procurement of long leadtime items - one used prior to the issuance of a LOA, and the other used for the period between the issuance of a LOA and acceptance

by the purchasing country. Both forms contemplate a specific dollar limitation upon the liability of the country, and if cash payment is required, it is so specified.

c. Credit Sales. FMS cases may be prepared with credit financing when authorized by DSAA, or upon advice from a customer that a given case is contemplated for financing under a credit agreement already approved by DSAA. When the number of the credit agreement is known, it must be shown on the LOA. Sections 23 and 24 of the FMS Act provide authority for funding credit sales, authorize guaranties of private entities against credit risks, and authorize an annual appropriation of funds for financing such. The Army was the DOD Executive Agent for credit sales until July 1973 when this function was transferred to DSAA.

## 2. Financing.

a. The reimbursable concept has generally been used within the Army to finance its customer order program including that for sales/grants to foreign customers under the security assistance program. This method is prescribed by Army financial regulations which also prescribes policies and procedures in various regulations such as AR 37-12 (Interfund) for using advances from and/or direct citation of customer funds. The reimbursement concept requires Army's direct appropriations to initially finance the customer requirement with subsequent reimbursement from customer funds.

b. Criteria for requesting payments, including initial payments from customers, vary depending upon the nature and source of the articles or services sold and funds cited to procure the article, i.e., reimbursable appropriations or direct citation of customer funds. Requests for funds and/or billing are normally developed upon any of the following bases or combination of bases:

(1) A fixed schedule of payments for an order/case can be negotiated provided latitude is retained to change periodic fund requirements as necessary to ensure sufficient funds are on hand to meet requirements;

(2) When contractors do not require progress or partial payments, funds may be requested on delivery forecasts, so as to be received by the time constructive delivery occurs;

(3) Funds for progress or partial payments may be requested based upon contractor or the procuring Army organization forecasts or expenditure requirements. Timing and amounts can be based on actual, individual forecasts or upon experience for payment requirements

for similar items, e.g., application of cost curves which reflect contractor costs at given stages of production for the item being procured.

c. Non-implementation by DARCOM of the procedures in ARs 37-38, 37-80, and 37-111 relating to advances/progress payments, and billing procedures and the lack of proper and timely forecasts by MSCs of payments required by contractors, led to serious cash flow problems and violations of "RS 3679". One example of non-implementation of AR 37-80 and change thereto of November 1973 cited by the Army Audit Agency, was that MSCs of DARCOM were not requesting funds from USAILCOM for contractor progress payments required (so that these could be obtained from customers 90-120 days in advance) and/or billing USAILCOM when payments were disbursed from the procurement accounts (MSCs billed upon delivery).

d. To alleviate the serious cash flow problem, DARCOM devised, in 1975, an advance procedure based on back-ordered requisitions that transferred customer funds to direct appropriations prior to delivery of the hardware. This procedure proved to be too cumbersome and complicated for control purposes. A revised system was developed by DARCOM (based upon a series of commodity expenditure curves) to advance customer funds into the direct appropriation 90 days prior to their anticipated need, and this was made effective 1 October 1976.

### 3. Pricing.

a. The Army's overall pricing policy is essentially driven by OSD whose policies are normally either based on Public Laws and/or their interpretation. These policies, together with guidance and procedures for standardization within DOD, are promulgated by DOD Directives and Memoranda. Within the Army, the COA is responsible for pricing policy (AR 37-60) and the DCSLOG is responsible for ensuring its implementation.

b. Major Types of Sales. There are three general types of customers.

(1) Foreign Military Sales (FMS).

(2) Military Assistance Program (MAP) - Grant Aid Sales.

(3) Sales to other military departments (referred to as Military Interdepartmental Purchase Requests - MIPRs), other Federal government agencies, state and local governments.

c. OSD Pricing Policy. Until June 1975, the official OSD policy had been to charge all customers the same standard price. A standard price is defined as the predetermined price established for each item in the Army inventory. In establishing a standard price, the current documented procurement price or production cost was to be used. In other words, the standard selling price would be based on today's cost if the Army was currently buying the item. If the Army did not have a current contract in effect to buy the items being sold, then the Army had to charge the price in existence at the time the item was last procured. Since many items have not been procured for several years and because of inflation, the standard price was generally understated. This policy was promulgated by DODD 7200.7 and DODI 7420.1.

d. Implementation by Army. The above DOD policies had been implemented by COA in AR 735-7. In July 1974, notwithstanding the OSD policy, the COA issued a new Army regulation AR 795-14, "Pricing of Sales of Defense Articles and Defense Services to Foreign Countries and International Organizations", which provided for recoupment of current market value and for general price escalation for major items of equipment. It also provided for recovery of all recurring support costs as well as those for research and development and nonrecurring production costs.

e. Changes in OSD Policy - Replacement Pricing for FMS. Department of Defense Instruction 2140.1, dated 17 June 1975, was the first official DOD publication to prescribe the use of an estimated replacement price for FMS under a prescribed set of circumstances. This replacement pricing policy only covers FMS transactions and not MAP and other sales. Pertinent extracts from the DOD Instruction follow:

"The price of all non-excess defense articles sold from stock will will be its replacement cost to DOD.

"As a general principle, sales shall be at the existing standard price in effect at the time the item is dropped from inventory pursuant to an order for shipment. For this purpose, the standard price is assumed to have been adjusted to reflect the most recent procurement price. If a contract for replacement of the item will not be instituted within 12 months of the date of sale, the current standard price will be used. If the item will be replaced via existing production, or a contract for such production will be instituted within 12 months of the date of the sale, the current or estimated contract price will be used whenever such price is higher



than the established inventory price. When estimated contract cost is used, supporting documentation including inflation indices and other factors will be maintained to support the estimated cost."

f. Implementation by Army. The new DOD concept for replacement pricing was implemented in a new AR 37-60, "Pricing for Materiel and Services", which consolidated ARs 735-7 and 735-14 and other guidance to make one regulation for overall Army pricing policy. The new regulation contains separate chapters for each of the functional areas involved in pricing and includes a separate chapter for security assistance.

g. The Arms Export Control Act (PL 329). This Act, which passed on 30 June 1976, amended the FMS Act and also contained pricing revisions. One of these changes required a differentiation between charges for items sold from stock which require inventory replacement and those not intended to be replaced. The Act requires actual value to be charged for the former and an estimated cost of replacement for the latter. These changes as well as other concerning charges for administrative services, use of plant and equipment, and RDTE and non-recurring production were contained in revised DODIs 2140.1 and 2140.2 issued on 9 March 1977, and were implemented by COA in a revision to AR 37-60.

h. The Financial Management Advisory Committee (FMAC). At the time of the FMAC review, the application of pricing policy was in a state of change within DOD (as it normally is). The Committee made four recommendations and considerable progress has been made on these through Army action or recommending action for those which require OSD approval.

#### 4. Accounting and Reporting.

a. AR 37-80 and AR 37-81 implement various DOD Directives which were issued based on the FAA Act of 1961, the FMS Act of 1968, and the Arms Export Control Act of 1976, as amended. These regulations prescribe uniform Army policies and principles for financing, funding, accounting, and reporting for sale and grant of defense articles and services to eligible foreign countries and international organizations.

b. In addition to funding and financing policies/procedures discussed in paragraphs 1 and 2, AR 37-80 covers Trust Fund Accounting, including billing procedures and collections for eligible foreign countries, and mechanized billing and reimbursement procedures for both the activity which provides the materiel/service and for USAILCOM. AR 37-81 provides similar policies and procedures for Grant Aid materiel or services.

c. Separate supplemental instructions are issued covering specific procedures to be followed under separate agreements, e.g., AR 37-82 for the Federal Republic of Germany, AR 37-38 for Cooperative Logistics Support Arrangements, and AR 37-6 for Support for the Agency for International Development.

d. As indicated in the scope and applicability of all of the above mentioned regulations, they were written to be used in conjunction with the overall set of financial regulations used in the Army such as AR 37-100, AR 37-103, AR 37-120, AR 37-151, etc.

e. In its review of financial management practices, the FMAC found that the Army's finance and accounting system did not effectively record, account for, or reconcile key data for its procurement accounts. As indicated in its report, the committee noted that the Procurement of Equipment and Missiles, Army - Management Accounting and Reporting Systems (PEMARS), now known as the Army Procurement Accounting and Reporting System (APARS) was intended to fill this need, but had been in various forms of implementation since 1966. The FMAC concluded that until APARS was implemented, there would be inadequate visibility over the program and fund execution process.

## APPENDIX 6 TO ANNEX I - FINANCIAL MANAGEMENT

### Program and Fund Control

(Extract from CSM 76-34-44, 16 August 1976)

"1. Policy. Program releases and withdrawal actions will be aligned at the DA level. Program releases in excess of available Total Obligational Authority (TOA), or fund authorizations in excess of programs, are not permitted.

"2. Responsibilities.

a. ODCSRDA.

(1) Preparation of Program Release Letters or DFs as discussed in paragraph 6 below, with OCRD Form 10 reflecting program action by line item.

(2) Preparation of the Summary of Action OCRD Form 104 reflecting the current status of the program (OSD/DA Approved-Change-Revised Program released and deferred-by appropriation and fiscal year which the document addresses). Where operating agencies other than addressee is involved, a breakout is provided.

b. OCA.

(1) Review program releases for financing within the OSD approved program limits (TOA), the budget or apportionment by OMB/OSD, or approved reprogramming actions.

(2) Allocates the funds required to execute the program release after ensuring funds are available within apportioned amounts.

"3. Procedures.

a. Program and Fund Authorization.

(1) Program release letters of dispositions forms with OCRD Form 10 issued by ODCSRDA will be addressed through OCA (ATTN: DACA-BUR) in original and two copies to the action agency. The OCRD Form 10 will be serially numbered by fiscal year appropriation. A copy of the Summary of Action (OCRD Form 104) for information to OCA only will be a part of the release package. Separate documents will be issued

for direct programs and reimbursable programs to action agencies. The program release documents are prepared and forwarded to OCA (DACA-BUR) on an as required basis. If a particular program release is of an urgent nature and advance notification to the action agency of the pending release is required, this notification will be made by ODCSRDA, but must emphasize that it is provided for planning purposes only and carries with it no funding authority to execute the program without the related fund authorization. Advance notifications will be coordinated with OCA (DACA-BUR) prior to transmission to the action agency.

(2) Upon receipt of a program release, OCA (DACA-BUR) will review and assure the release is authorized within TOA and is included in the budget or apportionment by OMB/OSD, or an approved reprogramming action. Program release in excess of fund availability is not authorized; similarly, fund allocation in excess of program release is unauthorized.

(3) Upon completion of the review, OCA (DACA-BUR) will forward the approved OCRD Form 10 accompanied by an authenticated OCA Form 14 to OCA (DACA-BUS) requesting funding action. OCA (DACA-BUS) will ensure that funds are available. A DA Form 1323 will be used to release the funds to the action agency accompanied by the program release letter or DF and a copy of the OCRD Form 10. A copy of the completed DA Form 1323 will be provided to ODCSRDA to evidence completion of the action by OCA (DACA-BU).

b. Program and Fund Decreases. Program and funding decreases will follow the same general procedures as outlined for authorization actions.

(1) Prior to initiating a program decrease for an authorization released to an action agency, ODCSRDA will ensure that the program is available for withdrawal, i.e., that no below-threshold reprogrammings have been accomplished against that authorization.

(2) Upon receipt of the withdrawal request, OCA (DACA-BUR) will prepare and forward to OCA (DACA-BUS) an OCA Form 14, requesting withdrawal of the funds. OCA (DACA-BUS) will obtain concurrence from the action agency that funds equaling program are available for withdrawal. The DD Form 1323 issued to reduce the funding will be annotated to show action agency concurrence.

(3) Restructuring of fiscal year programs by OSD through release or withdrawal memorandum must be entered into ODCSRDA and OCA files as well as PEMARS. ODCSRDA will input data to the PEMARS. Program and fund withdrawal actions will be carried out as described above with funds reflecting a new figure."



withdrawal transactions applicable to account 21X4992. Assigned limitations to account 21X4992 identify each activity account operating under the fund. USAFAC prepares DD Form 1176, Report of Budget Execution, for account 21X4992. This is a monthly status report and summary of all transactions involving the account. USAFAC also prepares a monthly industrial fund cash data status report for the designated central accounting office of each activity account under the fund. Each central accounting office uses this report to maintain general ledger accounts for the Fund Balance with US Treasury (21X4992.XXX) and Undistributed Cash Disbursements and Undistributed Cash Receipts.

5. Financial Statements. HQDA prepares semi-annual and annual consolidated financial statements for the Army Industrial Fund in accordance with DOD Instruction 7410.5 from statements received from the two participating commands operating under the fund. These reports provide HQDA, the Secretary of Defense, and the Office of Management and Budget with information required for reviewing progress on financial programs and the position of industrial fund working capital. Reports are also furnished to the Treasury Department to meet the requirements of Treasury Department Circular 966. Reports listed below are prepared at mid-year and at the end of the fiscal year.

- a. Statement of financial condition.
- b. Statement of revenue and costs.
- c. Summary of sources of revenue.
- d. Statement of cash sources and application.

6. DARCOM (DESCOM) funds AIF facilities through project orders for maintenance, rebuild, and service orders for supply operations. Recoupment of supply and maintenance cost against FMS cases is at the Major Subordinate Command. The depots are funded with OMA - P7S and P7M funds.

## APPENDIX 7 TO ANNEX I - FINANCIAL MANAGEMENT

### Supply Support Arrangements

#### 1. Definitions:

a. Supply Support Arrangements (SSA). A supply support arrangement is a bilateral agreement consummated between the United States and a friendly foreign government wherein peacetime logistic support is provided through the US logistics system to the participating country on a reimbursable basis.

b. Foreign Military Sales Order (FMSO). This is an order placed by the participating country in the form of a signed US Department of Defense Offer and Acceptance (DD Form 1513), which stipulates the supply support desired, and the financial arrangements for payment of such support in accordance with provisions of an SSA.

c. FMSO No 1. This sales order provides for the establishment of an adequate pipeline and pipeline backup (procurement leadtime) to provide timely and continuous supply support to a customer country. The order covers the type of items and dollar value which represent the equity and level of supply support to be held on hand and on order for the customer in the US Army supply system. The FMSO No 1 includes certain accessional charges and systems usage charge (administrative charge), and specifies payments to be made by the country for increasing US Army stocks to the required support level.

d. FMSO No 2. This order covers the country's estimated dollar value of withdrawals of material from the system for an agreed upon period, usually annually, and includes the related accessional and administrative charge, and the terms of payment therefore, which normally require advance payments in quarterly increments. A new FMSO will be placed by the country for the subsequent year at least 30 days prior to the beginning of the year.

2. Budgeting. Funding requirements under the SSA will be included and identified in the US Army requirements. They are incorporated in the Army estimates in the same manner as other reimbursable customer requirements.

3. DOD and DA Implementing Instructions. DODI 2000.8, February 14, 1974, ASD(I&L), subject: Cooperative Logistics Support Arrangements and AR 37-38, Financing, Funding, and Accounting for Supply Support Arrangements, 20 October 1969, provide guidance on method of operations under SSA's. Specific funding requirements of AR 37-38 are as follows:

a. The participating country must deposit funds in the trust fund equal to the on hand level of inventory established by the FMSO No 1.

b. This initial deposit includes both stock fund and PEMA secondary items.

c. Based on estimates of shipments under FMSO No 2, the customer country is required to deposit funds in the trust fund at the beginning of each fiscal quarter, equal to the estimated dollar value of stock drawdown for that quarter.

d. Funds collected under FMSO No 1 for items furnished by the stock fund or items financed by Army appropriations will be deposited temporarily in the trust fund. As soon as practicable, the funds will be transferred to the stock fund account 21 X 4991.100, unallocated cash, or to the appropriate Army appropriations account.

4. Review of Army's operations under SSAs. AR 37-38, which was published in October 1969, was not implemented by DARCOM. Specific actions taken by DARCOM which impact on the use of Army resources, due to non-implementation of AR 37-38, are as follows:

a. Cash collected into the trust fund was not transferred to the stock fund or performing appropriations. (Cash applicable to the stock fund was transferred in FY76)

b. DARCOM included SSA requirements in their direct Army budget, therefore, the on hand levels, as well as the pipeline has been financed with direct Army funds.

5. Current Status of SSA's. In coordination with the Comptroller of the Army (COA), the Deputy Chief of Staff for Logistics ensured that SSA's for FY77 were included in the Army budget as a reimbursable element, not a direct Army requirement. COA also issued specific accounting instructions by letter dated 22 June 1977 to account for Supply Support Arrangements, which were coordinated with DCSLOG and DARCOM and are currently being implemented by DARCOM. These instructions provided procedural guidance and also general ledger pro forma entries for:

a. Recording of cash received to finance on hand inventory;

b. Recording Obligation Authority/Earnings on the receipt of FMSO-I, Part A, cash and fund Obligation Authority;

c. The receipt of unfunded Obligation Authority from the FMSO-I, Part B, (pipeline);

- d. Receipt of the quarterly advance from the FMSO-II;
  - e. The fill/shipment against FMSO-II requisitions;
  - f. Reimbursements earned from the FMSO-II requisitions fills/shipments.
6. The procedural guidance provided eliminates the possibility that a RS 3679 violation would occur as the result of earnings recorded from FMSO-II requisitions being used for replacement requirements, and subsequent requisitions not materializing before a possible cancellation. Earnings from requisitions processed only recreates unfunded Obligation Authority under the FMSO-I, Part B. By entering into a CLSSA through accepting the conditions of both the FMSO-I and II, the foreign customer agrees to a dependable undertaking (FMSO-I, Part B) and to finance the cost of the on-order administrative and procurement lead times. In the event requisitions are not received, fall short of projected annual requirements, or the CLSSA is to be partially or wholly terminated, the foreign customer would be required to provide the cash required to liquidate applicable obligations, to include contract termination costs. Although a possible RS 3679 violation would not be involved under these circumstances, there could be a requirement to reduce or cancel contracts, where a partial or total termination of a CLSSA was involved. There would also be a requirement to bill promptly against the FMSO-I, Part B, for any projected cash shortfall resulting from reduction or cancellation of contracts, to include termination costs.
7. Conclusions. COA procedures are adequate to comply with all the provisions of AR 37-38. Implementation of these procedures will require more intensive management of SSA's in the field than has been previously accomplished.
8. Recommendations. It is recommended that COA and DCSLOG closely monitor DARCOM's implementation of revised SSA procedures and provide additional guidance, as necessary, if problems arise after implementation.



## APPENDIX 8 TO ANNEX I - FINANCIAL MANAGEMENT

### Accessorial Costs

1. Accessorial costs pertain to certain expenses incident to issues, sales and transfers of material which are not included in the standard price or contract cost of material. These are defined below and are applicable to Military Grant Aid Program (MAP) and Foreign Military Sales (FMS).

a. Packing, crating and handling costs are costs incurred for labor, material and services in preparing material for shipment from storage or redistribution point.

b. Transportation costs are costs incurred for the movement of material from the storage or distribution point to the final destination overseas.

c. Transocean transportation costs comprise that portion of overall transportation costs for the movement of material by surface and/or air from ports of embarkation to ports of debarkation.

d. Port charges are costs incurred in the movement of material through ports of embarkation or debarkation as follows:

(1) Port entry charges are user costs (rental fees for space and equipment at the port of discharge, tow boat fees, pilot fees, lighter fees, line-handler fees, dockage or wharfage fees, yc.) and port or harbor fees applied to the ship (tonnage fees, lighthouse fees, harbor dues, etc.)

(2) Port loading and unloading costs are costs incurred for labor, material or services for loading, unloading and handling at ports of embarkation and debarkation.

e. Overseas handling costs are costs incurred for labor, material and equipment to handle or store cargo after it is unloaded at a port of debarkation.

f. Overseas inland transportation costs are cost incurred for transporting material to an inland point after it is unloaded at the port of debarkation.

g. Positioning costs are accessorial costs incurred in prepositioning items in the supply distribution system of a military department at locations outside the United States in anticipation of support to MAP or FMS customers.

2. Grant Aid accessorial costs are paid by the United States Government (USG) with MAP funds. The costs include packing, crating and handling costs incurred at the US source, transportation costs within the US and port loading costs at the US port of embarkation for those foreign countries who are exempt from paying these charges. The list of countries exempt from paying these charges are published in the MASL by DSAA. Those countries not exempt from paying arrange their own transportation at their own expense.

3. Foreign Military Sales (FMS) accessorial costs, including port charges, are charged to the foreign customer in accordance with OSD published instructions (DODI 2140.1). When shipment is made on a Government Bill of Lading (GBL), the cost of issuing and processing the GBL and the transportation cost is used. When premium transportation is requested by the foreign government, the actual or estimated transportation cost is applied as agreed to in the DD Form 1513. Other accessorial costs are applied as appropriate to the shipment.

4. Recoupment of costs for MAP shipment have not caused problems. At least none were surfaced during the study teams visits or during any discussions held with operating officials contacted. The same cannot be said for FMS. Although DOD policy and guidance state that transportation of material sold to eligible friendly foreign nations under the US/DOD Foreign Military Sales (FMS) program will normally be arranged on the basis of FOB US point of origin, except for classified material and certain hazardous cargo, the Defense Transportation System (DTS) accounted for 20 percent of the FMS tonnage shipped in 1976. Recoupment of the (actual) cost for transportation charges billed, by the Transportation Operating Agencies (TOAs), to Army, relating to FMS shipment, has been the subject of many CAO and Army AAA reports. Essentially, the system directs the application of a percentage rate to be applied to the billing price of material shipped in order to charge the foreign customer for the transportation cost. USAILCOM had collected, and now SAAC collects, from the foreign customer based on the percentage rate. These collections are forwarded to USAFAC. USAFAC pays the bills as presented by the DTSSs and no effort is made to reconcile what is paid out to the DTSSs with the collection received from SAAC. Experience, to date, shows that the collections have been running short of the amounts paid to the DTSSs.

5. As far back as December 1975, Army has been studying the problem of recovery of actual accessorial cost of FMS shipment. Essentially the problem is primarily related to transportation and stems, in part, from the OSD guidance which directs that, "uniform standard DOD percentage rates will be applied to the billing price of material

shipped in order to charge for accessorial costs." The guidance further states, "these rates will not be arbitrarily applied to excess items, to single items having a unit billing price of \$10,000 or over, or when an FMS customer has requested and authorized use of a premium mode of transportation. Instead, actual or estimated costs will be used when determination is made by the supplying agency that a more equitable charge will result." The accessorial percentage rate for billing transportation costs based on item value, for items costing under \$10,000 has remained the same since 1970. With no system available to capture actual costs incurred, no measurement of accessorial charges as a whole can be made. In a recent study conducted by the Military Traffic Management Command (MTMC) it was stated, "The percentage of dollar values alone, which is the present accessorial method, is not a valid criteria for collecting transportation costs. Transportation costs are in fact, based upon measurement tons or weight criteria and the particular commodity and handling requirement, none of which have a direct correlation to dollar value. Therefore, it is pure speculation whether transportation costs can ever be totally recouped in a total program perspective, by utilizing the accessorial charge method."

6. There are three principal types of transportation charges for FMS, each of which present special problems of identification of carrier bills, to case and country, and each requiring specialized procedures for billing actual charges to FMS customers. In meetings and discussions held in late 1975 and early 1976, by DA staff personnel, the purpose of which was to develop a method or system to recover actual transportation costs, it was decided to plan development of these procedures and implement them in three phases:

Phase I - Overocean transportation

Phase II - Inland transportation (CONUS)

Phase III - Inter - intra overseas command transportation.

7. One of the early problems encountered was one of case identification. At the time all FMS shipments were coded with the identical Transportation Account Code (TAC) and case identification was not identifiable on the bills presented by the Transportation Operating Agencies (TOAs) for payment. This was rectified. Instructions were issued directing that on all transportation documents, the three alpha digit case identifier be shown as the TAC code. These codes were perpetuated throughout the system and are now included on the bills being processed by the TOAs for payment.

8. With the TAC problem taken care of, it was then determined that sufficient identification of shipments by case and country were available to permit billing of actual costs based upon the Army Finance Center (USAFAC) payments for Air Shipment, and Port Handling to the Military Airlift Command (MAC) and Military Traffic Management Command (MTMC). However, surface shipment costs could not be identified by case and country in documentation furnished by the Military Sealift Command (MSC) until the end of FY 76. (MSC was developing a mechanized billing system and the system was in its development stage and would not be operational until 1 July 1976.) This fact complicated the problem of billing actual costs for Air and Port Handling also, as it was not always possible to distinguish air from surface shipment at the time material charges are billed. Consequently, to charge the customer actual costs, it would be necessary to first bill the standard percentage rate for surface transportation charges, (or estimated costs for items with a unit value over \$10,000), and then later reverse and rebill at actual costs based on USAFAC payments to MAC and MTMC.

9. Because of the large volume of manual processing, the above requirement would entail if port handling charges were included, it was recommended then, that billing of actual costs be limited to air shipment until the MSC could furnish complete identification by case and country so that a total mechanized system could be implemented. An interim procedure was implemented, whereby USAFAC was to furnish to USAILCOM, copies of MAC bills with applicable FMS detailed listings containing the following: TAC, Transportation Control Number (TCN), except for SAMs flight, FY credited, actual dollar amount. USAILCOM upon receipt of the bill, would then reverse the previous transportation billing to customer and charge the amount reflected on the MAC bill. This procedure was to become effective with the MAC billings for the accounting month of January 1976 which would be received by USAILCOM about 1 March 1976. The first MAC bill received by USAILCOM under this system was in May 1976 for the January 1976 accounting period and the reversing and rebilling process was initiated. This marked the first time that a form of reconciliation or matching of the bills from the TOAs with dollar amount that had previously been charged to the customer. It was believed then and to the extent carried out this procedure effectively applied would capture full recovery for the largest dollar items that were being underbilled.

10. Procedures for recoupment of actual transportation costs in FY 1976 for FMS for costs billed by all the TOAs to USAFAC, hinged on two factors. (1) the ability of MSC to provide adequate case



and country identification on its billings, which was then scheduled for 1 July 1976; and (2) a system redesign by USAILCOM of their CISIL system which was then under development to replace current processing on three computers. The new CISIL system specifications would have to be modified to accept and bill actual transportation costs. Because of these two limiting factors, implementation of system to recoup actual transportation cost for FMS would not be achieved until 1 October 1976, which was then the target date for full implementation of the CISIL system. This date was later slipped to 1 January 1977. It is interesting to note that MSC did, in fact, go live with their mechanized system for billing on 1 August 1976. Throughout this period (FY 76) COA led intensive efforts to: (1) accelerate collections from unbilled/suspended FMS accounts, (2) reverse selected high dollar impact undercollections and rebill at actual cost, (3) implemented revised accounting procedures at USAFAC to eliminate prefinancing with direct OMA funds; and (4) identified systems concept and procedures that, when developed, would allow billing of FMS accounts for actual costs. Items 1, 2, and 3 were accomplished in FY 1976.

11. Approximately \$15 million was gained in increased/accelerated collections as a result of items 1 and 2. Item 3 assured that at the end of FY 76 no direct OMA funds were supporting FMS shipments funded by USAFAC. Significant progress was made to identify the needed system to bill actual costs:

(a) Efforts to interface actual costs data between USAFAC and USAILCOM were initiated for airlift costs.

(b) Data elements needed to bill actual costs were identified in source documents.

At this point (Oct 1976) DSAA/JFMO assumed responsibility and functions for billing FMS accounts.

12. In early January 1977, the Chief of JFMO was briefed on the preferred Army systems and concepts for actual cost billings. The preferred system would cause the transportation industrial funds (TOAs) to bill actual costs direct to the Security Assistance Accounting Center (SAAC). These actual cost bills would be the basis for actual cost billings of FMS accounts.

13. With the establishment on 1 October 1976 of the Security Assistance Accounting Center (SAAC) under DSAA/JFMO, all DA's planned actions to implement a system that would assure full recoupment of FMS transportation costs were discontinued.

14. As a result of some adverse budgetary action that was contemplated by the House Appropriations Committee (HAC) in their review of the Army's FY 77 supplemental budget request, which would reduce the DA's request by some 20 million dollars, caused by GAO reporting that DA was not recouping full transportation costs for FMS shipments, a series of actions were initiated to: (1) put the responsibility for the FMS TOAs transportation charges directly under SAAC as well as the industrially funded per diem demurrage charges; and (2) USAFAC pay for FMS shipments made under a GBL using cross disbursing (Direct Cite) procedures. Letters were written to DSAA and SAAC proposing several methods and recommendations to implement an actual cost reimbursement system to the extent feasible.

15. DSAA in their response to DA letters, stated that it was not considered feasible to adopt cross-disbursement (direct-cite) procedures to be used by the Transportation Operating Agencies (TOAs) and USAFAC and some of their reasons why. However, DSAA offered an alternative means of ensuring an accurate matching of costs and revenues in this area. They proposed SAAC would implement a procedure for processing direct actual billings from the TOAs and USAFAC for applicable FMS accessorial costs at the case level. Customer billings will continue to be based upon percentage rates determined from data provided by monitor commands in the 7128 delivery reporting systems. A holding account would be established and maintained by SAAC to match FMS accessorial billings/collections against disbursements to DOD activities for actual costs billed. DSAA did point out implementation of this procedure, however, must be accomplished on a triservice basis. DSAA further advised that SAAC would be hosting a meeting the week of 22 June 1977 with representatives of the Military Departments for the purpose of initiating actions to implement the direct billing procedures. This meeting was held on 28-29 June 1977 with representatives of Army, Navy, and Air Force in attendance, along with representatives of the TOA and USAFAC. The meeting was chaired by the SAAC Director. The meeting's objectives were defined as follows:

a. To ensure that full US Government transportation costs are recovered on FMS deliveries.

b. To establish an accounting system within DOD that provides for matching of revenues collected from FMS purchasers with actual transportation costs incurred by the US Government.

c. To use actual transportation costs by the DOD Transportation Operating Agencies (TOA, MAC, MSC, MTMC, USAFAC, NAVMTMO) to SAAC for subsequent billing of these costs to FMS purchasers.

16. The conferees at the meeting concluded the following:

a. It was feasible to establish DOD procedures for reporting actual costs for transporting FMS materiel at the country/case/transportation control number (TCN) level subject to TOA and Military Department FMS system changes. There was some question as to whether or not reporting at this level would adversely impact on the FMS purchasers due to the numerous billing changes required by execution of the Arms Export Control Act. It is impractical to relate transportation costs for billing purposes to line numbers on the DD Form 1513 cases. Therefore, the case is the lowest level to which transportation costs can be associated.

b. Actual costs can and should be billed by the TOAs to SAAC, and that SAAC will reimburse the billing activities. By billing at the TCN level, CONUS inland transportation costs, port handling costs, and overocean transportation will be reimbursed to the billing activities. SAAC will continue to reimburse the Military Departments for parcel post shipments and packing, crating and handling costs (PCH) consistent with existing procedures. Centralization of FMS packing, crating and handling billings/reimbursement at SAAC may be the subject of a future study. SAAC will continue to use existing FMS billing procedures for accessorial percentage surcharges as prescribed by DODI 2140.1 until it is determined that actual costs for all FMS deliveries should be billed. SAAC will monitor, evaluate and recommend changes to the transportation percentage rates in DODI 2140.1 and, when appropriate, recommend application of actual cost for all FMS deliveries on the FMS purchaser's bill.

c. Actual costs will be reported by the TOAs to the SAAC using the 7128 format. The TOAs suggested reporting of transportation costs in formats peculiar to their respective operations; SAAC cannot cope with the diverse formats. Therefore, conversion requires standard reporting to the SAAC.

d. Monthly reimbursements of actual costs reported by the TOAs will take place at SAAC within 15 days of the reporting cutoff date. Report cutoff date is the 10th day following month end. In processing reimbursements to the TOAs, the SAAC will, as a minimum, edit TOA billings to ensure validity of reporting of FMS country and case and return invalid items to the TOA. If the purchaser questions the transportation charge billed by SAAC, a Report of Item Discrepancy (ROID) will be submitted in accordance with current procedures. SAAC will refer such ROIDs to the TOA for investigation and correction in consultation with the Military Department shipping activities.

e. Billing of actual costs is contingent upon the establishment of a standard DOD transportation account code (TAC) which will consist of the MILSTRIP MAP service code and the 3-digit FMS DD 1513 case identifier,

f. That implementation of the actual cost billing system is contingent upon several factors:

- Establishment/implementation of revised DOD TAC code system.
- 1 November 1977 is target date for initial implementation.
- Establish DOD Ad Hoc Committee to plan for initial implementation and confer with ASD(C) and GAO.

g. The military activity representatives were to provide service comments related to the above proposals to SAAC by 15 July 1977.

17. Army's response fully endorsed and supported the objectives of the conference and concurred that the transportation operating agencies (TOAs) should bill the SAAC for costs incurred by such activities on or after 1 October 1977, incident to movement of FMS cargo. This in our view, is a primary cost recoupment action and should be implemented as soon as possible. With regard to CONUS inland transportation, SAAC was advised that Army is presently examining and reviewing alternatives to determine how best this action can be accomplished. Some of the alternatives presented were:

a. Modify shipping procedures to require CONUS inland movement of FMS cargo by commercial bills of lading with the carrier billing the country freight forwarder.

b. Have carriers bill SAAC direct for GBL costs involved in movement of FMS cargo.

c. Have authority granted shipping activities to cite 8242, Trust Fund Account, as the financing appropriation on GBLs for FMS cargo. (Army has directed its shippers to prepare separate GBLs for FMS shipment and not mix FMS and troop support material on the same GBL.) Have a fiscal copy of the GBLs sent to SAAC by the shipping activity and have USAFAC upon receipt of carriers bill, cross-disburse citing the 8242 account.

d. Have USAFAC develop an automated system to provide for disbursement from the Army Management Fund, with subsequent



billing to SAAC. Army pointed out to SAAC that selections and implementation of a alternative for CONUS inland transportation may not be implemented by 1 October 1977, however, Army's position stated that this should not delay the implementation of the CONUS port loading and overocean transportation costs by the TOAs to SAAC.

18. DSAA is planning to convene the DOD Ad Hoc Committee, the last week of September 1977, to review the responses of the Military Services and the TOAs and recommend implementing actions. The present method of collecting transportation costs based on a percentage of dollar values alone has not provided for the full recoupment of cost to the USG. It is not altogether accurate to say, recoupment of FMS costs based on accessorial percentages or other estimates, does not ensure full cost reimbursement. Full costs can be recovered provided surcharges are properly assessed and provided an accounting system exists to accurately match costs incurred with revenues earned. Under the current procedures this accounting system is nonexistent. The decision to totally separate direct and reimbursable transportation financial management procedures provided only a partial remedy. It did ensure that direct Army funds would not be utilized during the fiscal year to satisfy FMS transportation costs; however, the fact that a system was not implemented at the same time to match collections received with payment made related to these collections resulted in a sizable amount of uncollected accounts receivable at the end of the fiscal year which had to be cleared by applying direct Army funds to account for the uncollected accounts receivables. The explicit impact in continuing the current system is a potential violation of Revised Statutes 3679. There are few controllable features in the current system. The only alternative for a minimally acceptable financial management system is to implement actual cost reimbursement to the extent feasible.

19. Recommendations. With the establishment of the Security Assistance Accounting Center (SAAC) on 1 October 1976, the responsibility for FMS billing/collections from the Army's trust fund was transferred to SAAC. SAAC has total responsibility for billing the foreign customers and collecting from them. Therefore, it is recommended that SAAC be responsible for the payment of all transportation bills, incident to the movement of FMS cargo. It is further recommended that SAAC be responsible for monitoring, evaluating and recommending changes to the transportation percentage rates in DODI 2140.1 and when appropriate, recommend application of actual cost for all FMS deliveries on the FMS purchase bill.

## APPENDIX 9 TO ANNEX I - FINANCIAL MANAGEMENT

### Training

#### 1. Training.

a. The Foreign Military Sales Act requires foreign countries and international organizations to reimburse the US Government for the cost of training provided to foreign students. Prior to November 1975, because of a lack of OSD guidance for standard pricing of training cases, each military service developed pricing procedures based on its own interpretation of the law. Army's policy was to collect "out-of-pocket" or "incremental" costs only for foreign student training. The other services' interpretation of the law resulted in large differences in charges for similar courses (the Navy charged \$282,000 for each student attending undergraduate pilot training during fiscal year 1975, whereas the Air Force charged only \$81,000 for each student).

b. In November 1975, the Department of Defense, reacting to Congressional and GAO concern over the pricing of foreign training, specified to the Military Services the cost element to be included when establishing prices for training courses. These pricing guidelines are required a charge to the foreign student of a share of all costs at the training base, including such costs as salaries of instructors and training staff; supplies and materials; aircraft POL and maintenance; a share of base overhead; and a charge for the use of base assets, including aircraft. This pricing policy was effective January 1976 and resulted in a substantial increase in most Army courses, for both pilot and technical training. Tuition rates (course costs) are computed annually by the training activities, forwarded to DA for subsequent review and approval by the OSD Tuition Pricing Board and published in the MASL. These rates remain constant for the year. Adjustments are only to be made to correct significant errors in computation, change in syllabus, or major unanticipated increases/decreases in the cost of such items as POL and salaries.

c. As noted above, training courses are offered to foreign nations on the basis of authority granted in the Foreign Military Sales Act of 1968 (22 USC 2761), as amended by the Arms Export Control Act of 1976, which states that Defense Services may be provided to foreign nations if these governments agree to pay not less than the value of the service.

d. Department of Defense Form 1513 is used as the formal contract between the United States and foreign governments for sales of defense services. All sales are subject to the following contractual conditions

set forth therein. Training cannot commence and International Travel Orders (ITOs) cannot be issued (and thereby student(s) are not authorized to deploy to CONUS) until the FMS training case has been funded by the requesting country.

e. Training of foreign students is provided under two programs. (1) FMS as basically discussed above; and (2) International Military Education Training (IMET), (formerly known as MAP). Effective 1 October 1977, course costs for the IMET program are computed in the same manner and utilizing the same cost factors as for FMS students except that costs of military personnel (pay and allowances), asset use charge and administrative charges are excluded from the computation of the course cost and case cost. Prior to 1 October 1977 IMET courses were priced on an incremental cost basis. (In May 1977 OSD issued instructions to reduce the total base operating costs for IMET students by 5% of the total base operating costs.)

## 2. Funding.

a. IMET funds are appropriated to the President of the United States. The President by Executive Order 10973, as amended, delegated the authority and responsibility for their administration to the Secretary of Defense. Even though the military assistance appropriation is not part of the DOD budget, the program and its budgeting, funding, and financial administration is subject to the same controls and regulations as all Defense Department appropriations. For budgetary purposes IMET course costs prepared for a budget year are used to compute the amount of anticipated reimbursement to be included in the Command Operating Budget Estimate (COBE). The source of anticipated reimbursement for IMET (grant aid) foreign students is shown in the COBE as "MAP (other)". All anticipated reimbursements for IMET students are shown in the Budget as automatic reimbursements. Since FMS training is totally reimbursable, no US budget processes, as described above for IMET, are involved. Within the Army training establishment, the amount of anticipated reimbursement for FMST is calculated in the same manner as for IMET except that FMS course costs are used. As for IMET, all anticipated reimbursements for FMS are shown in the COBE as automatic reimbursements.

b. IMET funds are allocated by the Comptroller of the Army to the appropriate operating agencies for training projects as listed in the applicable AR 37-100 series and as funded by DSAA, based on requirements for course cost or TLA funds involved in the training line. The Army Service Schools expended direct Army funds provided and submits an SF 1080 (with copy of student's ITO) through its own funding channel for reimbursement. Military pay is reimbursed to the MPA and military retirement costs are reimbursed to the Treasury.

c. In the case of Foreign Military Sales, the approved and signed Form 1513 triggers the accounting process. When the signed 1513 and accompanying cash is received by SAAC, SAAC issues an Obligation Authority (OA) to Army's International Logistic Center (USAILCOM), and forwards copies of the signed 1513's to USAILCOM, Washington Field Office. The Washington Field Office forwards copies of the signed 1513's to TRADOC, schools involved, and USAILCOM. When the student arrives at the school, a matching of the ITO's and 1513's, is accomplished and a Standard Form (SF) 1080 billing document is processed and forwarded to HQ TRADOC. TRADOC reviews the SF 1080 for validity, accuracy and to assure that the appropriations to be reimbursed are properly reported. TRADOC takes the SF 1080 received from the schools and from the information thereon, prepares a mechanized "L" card and forwards the "L" card to USAILCOM. The "L" card is, in effect, a billing document. USAILCOM receives TRADOC's "L" card and converts it to a modified "G" card and submits it to SAAC as a billing document for payment direct to TRADOC. TRADOC receives payment and effects reimbursement to the schools, Treasury, and all other applicable appropriations by processing SF 1080's for organizations involved.

d. The Military Pay Appropriation is budgeted by DCSPER as a funded reimbursement. All military labor and retirement benefits must be reported to DCSPER who assures that the pay and allowances are correctly billed and reimbursed to MAP while military retirement is reimbursed to the Treasury.

### 3. Conclusions.

a. It is evident from the information received from the organizations visited and an analysis of the systems performance to date, that training is still being conducted prior to receipt of an approved Form 1513. It should be pointed out that the approved and signed Form 1513 is evidence that all the financial arrangements between the foreign government and the US have been consummated and accepted. A danger exists when training is begun before receipt of an approved Form 1513, that reimbursement for that training may not be forthcoming. (This situation has occurred in the past and has been so reported by the GAO.)

b. Another observation noted, relating to the Obligation Authority (OA) is that once the OA is received by USAILCOM, no further distribution of the OA is made - USAILCOM monitors the OA and reports on its status to SAAC. HQ TRADOC does not get involved with the OA. The Implementation Team for Financial Management of Army's FMS Program is aware of this situation and plans to include TRADOC in the ACOCS-FMS system for pulling OA, when needed.



c. Appendix 12 to Annex I contains conclusions concerning the allocation of funds by COA for the IMET program.

4. Recommendations.

a. It is recommended that a continuing effort be made to educate all agencies involved in the processing of Invitational Travel Order (ITOs), that they will not be issued until, and only when, the Form 1513's have been signed and approved by the foreign government. Until this is fully understood and complied with there will continue to be students arriving in CONUS for training prior to receipt of the 1513's by the school activities with no assurances that reimbursement will be forthcoming. (TRADOC/DARCOM/DCSOPS)

b. Further recommend that TRADOC request trust fund OA prior to each class start date and report the utilization of this OA to USAILCOM, in accordance with COA procedures to be issued during the 1st quarter FY 78.

c. Appendix 12 to Annex I contains a recommendation for the establishment of a central financial management office for IMET at HQ TRADOC, and allocation of funds to that office in lieu of seven Army commands to which funds are currently allocated.

## APPENDIX 10 TO ANNEX I - FINANCIAL MANAGEMENT

### Medical Services

1. Programming. The Army Medical Department (AMEDD) does not currently accomplish any unique programming actions to support security assistance. Security assistance requirements have been satisfied on a demand basis by AMEDD within existing programs.
2. Budgeting. The AMEDD creates budget submissions for MAP/Grant Aid to cover the costs of accomplishing MAP/Grant Aid orders (with the exception of materiel). Materiel costs are covered by a budget submission initiated by DARCOM. FMS budget actions do not represent total projections either since FMS activity for other than materiel is treated on an automatic reimbursement basis by the AMEED. The expected value of FMS reimbursable activity for a given fiscal year is shown in the AMEED OMA (program 8) command operating budget submissions. This expected reimbursable activity is shown on a total basis only. There is no breakdown by case or country. Budget inputs are submitted for the expected value of FMS administrative costs to be incurred in satisfying FMS actions. As in the case of MAP/Grant Aid, this submission excludes materiel and accessorial costs.
3. Funding. Funds to cover the cost of administering the MAP/Grant Aid are provided to performing activities. An internal customer order is then established by the performing activity to its (Program 8) OMA appropriation (performing account) from its MAP/Grant Aid appropriation fund allotment. Funds for the FMS are transmitted with the case. There is no separate and distinct allotment of funds from a US appropriation to the performing activity. The performing activity establishes a customer order in its OMA appropriation (performing account) equal to the value of the case. FMS administrative cost funds are provided by COA on a summary customer order basis representing total administrative cost funds for a specified period of time. These funds are not provided on a case or country basis. Upon receipt, performing activities create a customer order in a line amount in their OMA (Program 8) appropriation (performing account).
4. Accounting. Performing activities utilize their normal accounting systems to accumulate security assistance cost data. These systems may be the installation STANFINS system supporting Medical Department Activities (MEDDACs) on installations or may be organizational-unique systems as in the case of US Army Medical Materiel Agency (USAMMA) for materiel. Internal account processing codes or other codes are established

within these systems to accumulate costs. Identification of security assistance actions is a mixture of manual and automated processes. For example, input on the cost of medical treatment rendered to an FMS trainee on an outpatient basis by a medical technician at a troop medical clinic is a manual process while the on-line feeding of data from a supply (requisition and materiel management) system into the USAMMA-unique accounting system is automated.

5. Billing/Collection and Reimbursement. Billing, collection and reimbursement for AMEDD is accomplished by performing activities. AMEDD does not participate in these processes for materiel since no AMEDD assets are sold to client countries. The US Army Medical Department Personnel Support Agency (DPSC) (under the monitorship of USAMMA representing the AMEDD) is the supply source for medical materiel and, as such, accomplishes billing, collections, and reimbursement actions under interfund billing (MILSBILLS) procedures. Bills are submitted to USAILCOM for reformatting ("7128" billing card) and submission to SAAC. AMEDD billing and reimbursement actions (except for medical treatment services) are shown in Figure I-12-1 and those for medical treatment services are shown in Figure I-12-2.

And Reimbursement (Less Medical Treatment Services)

<u>Billing Activity</u>	<u>Type Bill</u>	<u>Billed Activity</u>	<u>Bill For</u>	<u>Reimbursement From</u>
DPSC	Interfund	USAILCOM	Materiel	SAAC
USAMMA	SF 1080	USAMMA	FMS Administrative Costs	SAAC
USAMMA	SF 1080	USAMMA	MAP/GA Administrative Costs	MAP/Grant Aid Appropriation
HSC	SF 1080	USAILCOM	TAT/TAFT	SAAC
HSC	SF 1080	USAILCOM	Training/MIT	SAAC

Figure I-12-1. AMEDD SAP billing, collection.

6. AMEDD Security Assistance Reporting:

There are no AMEDD Security Assistance functional or managerial reports submitted outside the performing activities on a routine

<u>Recipient Category</u>	<u>Treatment Billed For</u>	<u>Billed Amount</u>	<u>Reimbursement From</u>
1. NATO (IMET & FMS)			
a. Military Students	Same as US Mil	Sub rate (off only)	Collect from officer
b. Dependents of Military	Space available only	Same as US Dependents	Collect from patient or sponsor
c. Civ student & dependents	Emergency care only	All care provided	Collect from patient or sponsor
2. Non-NATO (IMET)			
a. Mil & Civ students	Space available only	All care provided	Charge to IMETP (less subs rate for off & civ collected from patient)
b. Dependents	Space available only	All care provided	Collect from patient or sponsor
3. Non-NATO (FMS)			
a. Mil & Civ Students	Space available only	All care provided	3 Methods: a. Charge FMS case b. Collect from student c. Bill embassy
b. Dependents	Space available	All care	2 Methods: a. Collect from sponsor b. Collect from embassy

Figure I-12-2. AMEDD billing collection, and reimbursement for medical treatment services.



basis. Reports that are submitted are unique to a particular operational problem or case and are more narrative than quantitative. Summary AMEDD financial management data is reported routinely by all performing activities. Representative reports shown in Figure I-12-3.

7. Recommendation. AMEDD performing and coordinating activities submit an administrative budget for FMS to ensure recovery of all costs incurred for administration of FMS cases.

<u>Report</u>	<u>Data Reported</u>	<u>Frequency</u>
Operations & Maintenance Army Command Operating Budget (RCS CWCAB-205)	Budgeted value of Security Assistance automatic reimbursable activity expected for the year	Annual with a semi-annual review
MAP/Grant Aid operating Budget (RCS DSAA(AR)1000)	Budgeted value of MAP/ Grant Aid activity expected for the year	Annual with a semi-annual review
Status of Approved Operating Budget (RCS CSCFA-218) and Status of Reimbursements (RCS CSCAA 112)	Actual value of Security Assistance automatic reimbursable activity accomplished to date relative to value budgeted	Monthly
Status of Allotment by Appropriation (RCS CSCFA- 216)	Actual value of MAP/ Grant Aid costs incurred to date relative to value budgeted	Monthly
Cost of Administering the Foreign Military Sales Program Budget	Budgeted value of Foreign Military Sales administrative costs expected to be incurred by performing activities for the year	Annual with a review as announced
To be published	Actual value of Foreign Military Sales Admin- istrative costs incurred to date relative to value budgeted	Monthly

\* Budget required by Letter, DALO-ILA, 27 Dec 76, subj: Budget Call,  
Cost of administering the FMS program.

\*\* This report is a future requirement and is mentioned in DACA-BUS  
message, DTG 071828ZJun 77; subj: Funding Authority for FMS  
Administrative Management Costs.

Figure I-12-3. AMEDD security assistance financial management data  
reported.

## APPENDIX 11 TO ANNEX I - FINANCIAL MANAGEMENT

### Engineer Services

1. As indicated in Chapter 10, the Corps of Engineers is currently involved in four approved programs in Saudi Arabia which are currently estimated at a value of \$8.6 billion. These are comprised of the "Engineering Assistance Agreement Program" (EAA); "The Saudi Ordnance Corps Program" (SOCP); the "Saudi Naval Expansion Program" (SNEP); and the "Saudi Arabia National Guard Program" (SANG). The "EAA" was initiated by request from the Department of State based on a country-to-country agreement consummated in 1965 and extended to May 1978. The other three programs are being accomplished on a "Dependable Undertaking" basis under the FMS Act of 1968, and are based on Memoranda of Understanding (MOUs).
2. The EAA agreement provides that the Saudi Government will bear the entire cost of engineering and construction work involved by depositing US dollars in the Chase Manhattan Bank to the account of the Corps in the form of an irrevocable commercial letter of credit.
3. The Corps employs standard FMS procedures in three (SANG, SOCP, and SNEP) of its four programs and the designated program managers for these are DARCOM for SANG & SOCP, and Navy for SNEP. Procedures utilized in the Engineer Assistance Program follow those included in the EAA rather than FMS procedures which require a formally signed acceptance by the Saudi government on DD Form 1513. "Dummy" cases are used as vehicles to obtain approval/acceptance of projects by OSD/State Department/Congress and also for record keeping purposes at USAILCOM.
4. In June 1977, as indicated in Chapter 10, the Corps proposed the preparation of a single annual case to cover Corps expenses for construction management services involved in lieu of individual project cases. It was also proposed that the 2 percent administrative charge on FMS cases be based on 2 percent of the cost of the single annual case and included in the price of the management services in lieu of being shown separately. This requested exception from the normal procedure for collection of the administrative charge was coordinated with COA and the Director, DSAA, and was approved by the ASD(C) on 20 July 1977.

## 5. Financial Procedures.

a. Engineer Assistance Agreement Projects. The Corps used the Military Construction Army (MCA) Appropriation as a carrier appropriation for EAA's. Funds withdrawn from Chase Manhattan Bank were deposited in and disbursed out of the MCA account. At mid-FY77 the Comptroller of the Army directed the Corps to utilize the FMS trust fund in lieu of the MCA account. The EAA program greatly exceeds the entire MCA appropriation and adversely impacted on MCA financial reports.

b. Foreign Military Sales Projects (DD Form 1513). All other security assistance projects between COE and Saudi Arabia are processed under FMS reimbursable procedures. The MCA appropriation is the carrier appropriation.

c. Financial Procedures for Engineer Assistance Agreement/FMS Effective FY78. Because of the adverse impact COE transactions had on the MCA appropriation and, in part, due to the added requirements placed on Army by the 17 June 1977 OSD financial management instructions, the COE converted all EAA and FMS cases to direct cite on 1 October 1977. This conversion was staffed with and approved by the Acting Comptroller of the Army.

## 6. Conclusions

Because of the high dollar volume of the Corps of Engineers Saudi Arabia Program, the conversion from reimbursable to direct cite represents a major improvement in the financial management of the Army's FMS program. Areas affected are:

a. The Military Construction Army Appropriation reports will no longer be adversely impacted by COE transactions in Saudi Arabia.

b. Since the majority of the Corps business in Saudi Arabia is of a contract nature, Army's reimbursable program will not be inflated by Engineer Assistance Agreement and FMS cases.



## APPENDIX 12 TO ANNEX I - FINANCIAL MANAGEMENT

### Military Assistance Program/Grant Aid

1. DOD Directives. The requirements of the Foreign Assistance Acts as amended are promulgated by OSD, primarily by DODI 7290.1, "Methods of Financing, Funding, Accounting, and Financial Reporting for MAP/GA", and by DODI 5105.35-M, "Military Assistance and Sales Manual".
2. Army Regulations. HQDA implementation of the Acts and the DODIs are in AR 37-25, "Army Military Assistance and Grant Aid and Budget System", and AR 37-81, "Financing, Funding, Accounting, and Reporting for Military Assistance Grant Aid Program". These regulations are used in conjunction with other overall financial guidance and other regulations such as those applicable to pricing, the Army management structure, accounting and reporting for F&AOs, and training. CSR 1-6 designates Army Staff responsibilities for processing MAP orders received from DSAA.
3. Responsibilities.
  - a. In addition to performing the normal overall financial policy and budgetary responsibilities, the Office of the Comptroller performs the following functions:
    - (1) Serves as Program Director for MAP Administrative Budget Projects T10, Headquarters Activities, and T20, MAAGS, Missions, and MILGRPS;
    - (2) Prepares quarterly funding documents for administrative projects to eight Army commands.
    - (3) Prepares and issues funding documents weekly for International Military Education and Training (IMET) for seven Army commands (IMET orders are issued weekly by DSAA). Foreign training was formerly funded under MAP appropriation 1080, but as of July 1975 has been separately funded as IMET appropriation 1081.
    - (4) Prepares program adjustments for MAP (Admin) and IMET by program year, by budget project, and by country.
  - b. The DCSLOG is the Budget Program Director for budget activity supply operations - budget code L00, logistics management expenses, (including L10, L20, L40, and L60). This responsibility, in turn, was delegated to the Director of International Logistics. In this connection, technical instruction are furnished to the COA

for inclusion in budget programs and budget calls. Budget estimates and operating budgets are reviewed and consolidated, a uniform recording and reporting system is prescribed, and changes in and within the funding program and/or between operating agencies, are recommended as required.

c. As the Appropriation Director for the five procurement appropriations and the research and development appropriation, the DCSRDA functions for MAP/GA include monitoring propriety of charges and reimbursements.

d. The DCSOPS provides program direction and management for the OMA portion of Program 10 (Support to Other Nations). Program 10 pertains to support of international military headquarters/agencies, and to reimbursable costs associated with IMET.

e. Special operating agencies (SOA) and General operating agencies (GOA) are responsible for preparing or assuring the propriety of budget estimates and operating budgets prepared under their guidance, and for the execution and management of approved and funded programs.

#### 4. Procedures.

a. Authority to proceed with the delivery of materiel and to perform services is contained in MAP orders which provide a listing of the materiel and services required. These are issued weekly by DSAA in the form of ADP cards which are sent by autodin to USAILCOM (NCAD). Allocation of funds is forwarded by COA through DARCOM to USAILCOM for other than IMET funds which are allocated to appropriate general/special operating agencies.

b. The MAP orders (cards) are edited by USAILCOM (NCAD) against the MASL, and after other procedural reviews are made. The orders are finalized and forwarded to appropriate MACOMS and MSCs.

c. DARCOM/non-DARCOM activities submit billing cards or 1080s as appropriate to USAILCOM (NCAD) where they are converted to Billing/Delivery cards, processed, posted, vouchers are prepared and checks are made and sent to the activity which requested reimbursement.

#### 5. Conclusion.

COA is not sufficiently staffed or equipped with ADP support to properly manage the minutiae (numerous line item detail) funded in the IMET program. Staffing in this area consists of part time

effort, and ADP support is accomplished by USAILCOM-NCAD, New Cumberland, Pennsylvania. Since the ADP function of sorting/ listing of each training item by Operating Agency (for funding purposes) and preparing IMET extracts is not a primary function of USAILCOM, it has a low priority, and two to four weeks are required to return the extracts to COA for transmittal of funds to installations.

6. Recommendation.

Establish central financial management of the IMET program at HQ TRADOC and allocate funds to that headquarters in lieu of the seven commands to which COA currently allocated funds.

## APPENDIX 13 TO ANNEX I - FINANCIAL MANAGEMENT

### Direct Cite

1. This Appendix summarizes the results of a review of the use of direct citation ("direct cite") of the FMS trust fund (97-11X8242) to finance the provision of services and the delivery of materiel to FMS customers. The conclusions and recommendations are set forth at the beginning to provide a better understanding of the rather long discussion which was necessitated by the various complexities involved in this issue.

### 2. Conclusions.

a. The use of direct cite is feasible and practical for financing certain types of service and support contracts. The Army has taken significant action and has made significant progress in the use of direct cite for such purposes.

b. The use of direct cite to finance any, but the most simple, procurements is not practical at the present time (October 1977). Mandating the use of direct cite for complex procurements at the present time or in the foreseeable future, i.e., before 1 October 1979, could have serious consequences to the Army because of the present state of the DOD/DA logistics planning, materiel acquisition (industrial base control, procurement and production planning, and contract administration), accounting and management structures and current changes being made in these areas, and to related automated management and accounting systems.

c. Adequate criteria do not exist which define the conditions under which direct cite may be used. The financial analysis required by DSAA and Army directives do not provide adequate information which integrates procurement plans with financing plans.

d. Direct cite, which is often considered solely in the context of being a means of financing the implementation and execution of Foreign Military Sales cases has much broader implications for the Army. Among these implications are:

(1) It is a step toward direct procurement by foreign governments with U.S. industry.

(2) It will have the effect, or at least partially the effect of making the Army, its officers, and employees "agents" of foreign



governments. (This term "agent" is used approvingly in one OSD directed study advocating the increased use of direct cite financing.)

(3) It will impact on the Army's planning and control of its industrial base.

(4) It will enhance the ability of U.S. contractors to sell defense materiel to foreign countries at prices lower than that for which the same item is sold to the U.S. Army.

(5) It will, unless proper planning and contractual relationships are established, impact on the Army's ability to execute consolidated procurement programs.

### 3. Recommendations.

a. That the Army continue to increase its efforts to extend the use of direct cite financing on major "stand alone" service and support type contracts. Cases to be financed under direct procedures should be written as separate cases. A complete analysis of the services and/or support to be provided by contract should accompany such cases through the approval stages together with a detailed plan setting forth the who, how, what, where, and when of the direct cite procedure to be followed.

b. For the present, i.e., through the end of Fiscal Year 1978 or 30 September 1978, the Army should only attempt to finance the most simple procurements by the Direct Cite procedure. Such procurements should be set forth as a separate case and be administered as a separate contract.

c. HQDA should issue criteria for the use of direct cite. The following categories are suggested for classifying and approving the use of direct cite financing.

(1) DC-I -- service or support cases and procurement cases which involve the procurement of materiel from a contractor, and which do not require the recovery of any costs other than contract costs and the administrative fee.

(2) DC-II -- procurement cases which involve the payment for contract and other costs (GFM, unfunded costs, R&D, facility costs, etc.) all of which are within the knowledge and under the control of a single Army activity.

(3) DC-III -- procurement cases which, in addition to the payment of contract and other costs, as above, but which require coordination with and/or a flow of cost information from other Army activities or other government entities.

4. Responsible logistics and procurement officials in the Army should analyze and develop statements or restatements of Army policy and doctrine based upon the realization that direct cite is more than a finance and accounting technique. The statements, or restatements, of policy should be directed toward the anticipated impact on the Army's ability to perform its assigned mission as a fighting force; its role in supporting international political decisions with materiel and services; and the impact of the latter on the former. The statements and restatements of Army policy and doctrine should address and assess the following:

a. The impact of direct procurement, with respect to which direct cite is a precursor, on the Army's ability to compete with Foreign governments for supplies, materiel and services.

b. The impact on the Army of requiring the Army and certain officers and employees of the Army to accept and perform the role of "agents" of a foreign country as suggested by the 1976 OSD study of direct cite financing. (Study of "Direct Cite" Versus Appropriation Reimbursement on Foreign Military Sales, OASD(C), March 10, 1976). An agent suggests a principal. The legal significance and long term implications of the concept should be evaluated and assessed.

c. The impact, and potential impact, of direct cite, and eventually direct sale by U.S. contractors to foreign governments, on the ability of the Army to plan for and control the use of its industrial base and the potential that exists or could arise in the future for the Army to lose effective control over its share of the U.S. industrial base due to political and economic forces.

d. The impact of recent legal opinions that remove FMS profits from control by the Renegotiation Board and the lower costs incurred by U.S. contractors in selling directly to foreign customers. An assessment should be made of the ability of U.S. contractors to sell materiel to FMS customers at a lower price than to the Army.

e. The impact of direct cite, and direct procurement by FMS customers from U.S. industry, on the Army's consolidated procurement program, and how to prevent or compensate for such an eventuality.

## 5. Discussion.

a. General. The essence of the direct cite issue involves the procurement of major and major secondary items through the Army Procurement Appropriations (APA) in response to FMS customer orders. FMS orders for stock fund materiel, supply support arrangements and similar FMS sales are not involved in this discussion. Certain cases involving contractual services and support are susceptible to direct cite financing. However, the latter do not constitute a part of the problem.

b. The major part of both the Army's and its FMS customers' procurement program is financed by means of the APA (Army Procurement Appropriations). As a corollary, the major part of the Army's programming, budgeting and accounting problems are related to the Army Procurement Appropriations. These problems have their roots in the manner in which the Army financed the procurement of major items and began adding to its own procurement programs the requirements of FMS customers. The Army sought and received authority to increase its procurement programs, and available funds by an amount equal to the increased procurement required to finance its FMS customer orders. The latter increase in authority was provided in the form of Funded Reimbursement Authority (FRA). The total procurement program therefore consisted of the Direct Army plus the Funded Reimbursement Program. In recent years the FMS portion of the total procurement program has exceeded the Army's portion. This condition has given rise to massive and complex problems in the fields of contract administration and in finance and accounting.

c. Under direct cite the Army cites the customer's own funds (via the FMS trust fund) on procurement documents. This, in theory, reduces the Army's role essentially to placing the contract, transferring the contract to a DCASR for administration, with the latter providing for payment of the contractor's invoices and with the addition of capabilities at the Security Assistance Accounting Center (SAAC) for SAAC to close the loop with the FMS customer.

d. The direct cite solution is, however, not as simple as outlined above because procurement and production programs, related scheduling of production capacities and deliveries, and supply support are often inextricably integrated with Army requirements and Army production and procurement schedules. Further, the mere citing of the FMS trust fund for certain lines on a contract gives no assurance that the problems in financing, accounting and reporting on FMS customer orders would be resolved. Separate contracts for FMS procurements would be a meaningful step in the right direction. Even this would be only a partial solution.

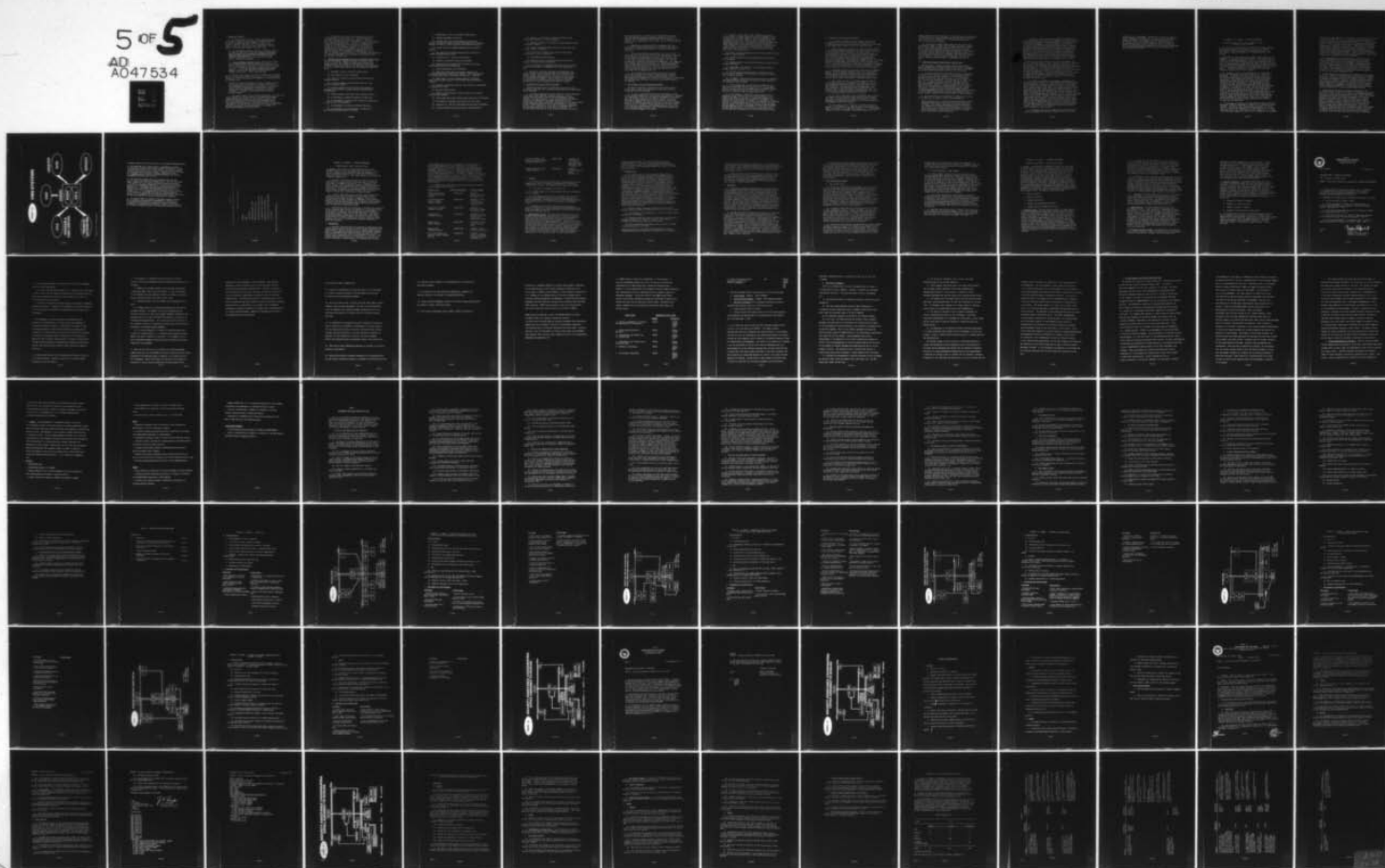
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6. Regulatory Guidance.

a. Two excerpts from AR 37-120, "Financial Administration: Procurement of Equipment and Missiles, Army (PEMA) Management Accounting and Reporting System (PEMARS)", paragraph 5-6, Funding of Customer Procurement, are cited below to bring the issue of direct cite versus the funded reimbursement authority methods of financing FMS customer orders into focus.

"a. All procurement actions to fill MAP or FMS orders will be processed as PEMA funded reimbursable except in those cases when procurement can be executed more economically and more rapidly by direct citation of MAP or FMS funds and such authority is permitted within the terms of the customer order." (underlining supplied).

"b. Direct citation of customer funds. Direct citation makes use of customer funds directly on obligating documents. The customer thus retains accountability for the order and maintains the official obligation, performance, disbursement and related accounts. In effect the Army merely performs a procurement service for the customer without the related program and financial monitorship." (underlining supplied).

b. DOD policy with respect to the use of direct cite to finance FMS cases is set forth in DODI 2140.1, March 9, 1977, at paragraph H. "Funds to be cited on FMS Contractual Documents." Paragraph H reads in pertinent part.

"Section 22 of the Act authorizes the sale of Defense articles from new procurement initiated as the result of FMS orders. Such procurement actions should be accomplished to the maximum extent feasible and appropriate through direct citation of the FMS trust fund (97-11X8242) on applicable contractual documents. ... payments to contractors will not exceed the cash advance."

c. The current thrust of policy makers and managers at the OSD level clearly appears to be in the direction of presenting procurement budgets and financial reports to the Congress in a manner which more clearly defines net military service requirements rather than the combined figures for the US Military services and FMS requirements. The use of direct cite would, in effect, if universally applied, "cleanse the financial statements" (i.e., budget and apportionment requests) of the FMS portion.

d. It should be noted however that paragraph 5-6 of AR 37-120 authorizes the use of direct cite, "when procurement can be executed more economically and more rapidly." Similarly, DODI 2140.1 provides that direct cite should be used to the maximum extent feasible and appropriate. Clearly, the determination of whether a procurement can be executed more economically or rapidly is not a determination to be made by the finance and accounting staff of the Army's commands. Our review did not indicate that the Army's procedures for preparation of the DD Form 1513 require or even suggest how a determination is to be made as to whether the use of direct cite is "feasible and appropriate" or "whether a procurement can be executed more economically and more rapidly" by direct cite.

7. Advantages and Disadvantages of Direct Citing FMS Customer Funds.  
The Army has conducted several reviews of the potential use of direct cite financing. DARCOM, in particular, conducted some in-depth surveys. The surveys included position statements by DARCOM major subordinate commands. The advantages and disadvantages of direct cite based upon these studies and surveys are summarized below.

a. Advantages of Direct Citing FMS Customer Funds.

(1) Army resources are not encumbered.

(a) Army is not required to provide interim financing for non-Army customers.

(b) On all procurement actions customer funds are cited (also has a negative impact).

(c) Progress payments could be more equitably charged to customers (but see defect in DCASR's method of charging funds on contracts).

(2) Reduces workload of DA finance and accounting officers.

(a) No requirement to maintain obligation of funds data.

(b) No requirement to establish order earnings and receivables on Army records for procurements.

(c) No requirement for fiscal and financial reporting.

(d) No requirement for billing system to recoup money to Army financing appropriations on contracts.

b. Disadvantages of Direct Citing FMS Customer Funds.

(1) Hardware deployments restricted.

(a) Customer funds cited on procurement contracts gives customer ownership of materiel thereby eliminating power to redeploy materiel on contracts to meet high priority mission requirements.

(b) Current repair and exchange programs would be adversely impacted.

(c) New supply and accounting system would be required for customer purchases held in stock.

(2) Document Control - Contracts and Financial.

(a) Difficult to maintain control over documents.

(b) Administrative processing time increased for contracts requiring modifications and amendments.

(3) DCASR Disbursements and Relationships.

(a) DCASR Army relationships and systems interfaces not functioning effectively under current systems. Until these systems are working effectively no additional system effort is feasible.

(b) DCASR unable to relate progress payments to different lines under the same contract or for the same item under different contract.

(c) Problems of deliveries under the same contract in relationship to expenditure of funds.

(4) Resource Identification.

(a) Separate system required to recover indirect and overhead costs for FMS customers.

(b) Current FMS cases permit filling orders from stock or procurement.

(c) Not feasible to separate costs relative to such orders.

(5) Legal Matters: FMS Trust Fund/Contracts and Contract Amendments.

(a) Citation of FMS Trust Fund in excess of country deposits.

(b) Absence of full funding - could be provided for FMS orders under current direct cite procedures.

(c) Impact of defaults of contractors - legal problems relative to customer liability.

(d) Contract termination/modification costs where more than one FMS customer is involved.

(e) Direct cite of customer funds does not relieve Army of obligation to pay the contractor.

(6) Programming and systems impact.

(a) Change to direct cite would virtually scrub the CISIL program and adversely impact CCSS-ALPHA.

(b) Many man-days of programming and testing will be required to develop new systems to accommodate direct cite financing of FMS.

c. Analysis of the above advantages and disadvantages and others indicated in this review of direct cite financing of FMS customer orders, clearly establish that its use, as far as the Army Procurement Appropriations are concerned, should be limited to financing new procurement. Even in the area of procurement its use should not be mandated by DA directive, but should be authorized to be used in accordance with specific criteria.

#### 8. Increased Use of Direct Cite by the Army.

The Army has taken action to increase the use of direct cite in a manner consistent with its mission responsibilities as demonstrated by the following:

a. The Corps of Engineers by letter 3 May 1977 to the Comptroller of the Army to HQDA (DACA-FAL) requested authority to direct cite the FMS Trust Fund in lieu of the MCA Reimbursable Program (21X2050). By 1st Indorsement, 9 June 1977 DA approved the request subject to the submission of procedural implementation plans in accordance with DSAA's implementing instructions for the centralization of FMS billing activities (14 Oct 76) and adjustment of accounting records. By 2nd Indorsement, 18 Aug 1977, the Engineers submitted the procedures requested. By letter dated 29 September 1977, the Army advised the Director of the Security Assistance Accounting



Center that effective 1 October 1977 all Foreign Military Sales cases and Engineer Assistance Agreements managed by the Corps of Engineers will be administered under direct cite procedures. In addition, DA is exploring the use of direct cite for certain training activities.

b. DARCOM recently (September 1977) recommended that four (4) cases involving contractor support for two Near East countries amounting to several hundred millions of dollars be financed by direct cite.

c. During a four month period (18 March - 24 July) in 1977, thirty-four (34) new FMS cases valued at \$977 million were identified which appeared to have potential for direct cite financing. The criteria used in the identification process were: that the case, or line item on the case, called for procurement of the items to be furnished; (items involving assembly of components, e.g., ammunition, were excluded) that the items nominated for consideration appeared, based on the nomenclature, to be items that could be provided by contractor without the provision of GFM, the collection of unfunded costs, facility use charges or any cost other than the cost of procurement and the administrative fee.

d. It is believed that the potential for the use of direct cite financing exists in the field of communications contracts. Contact has been made by DA personnel with personnel of the U.S. Army Communication Command at Ft. Huachuca for the purpose of identifying and testing the use of direct cite on one or more major contracts for services.

#### 9. Use of Direct Cite on Procurement Contracts.

The desire of the OSD to increase the use of direct cite to finance major complex procurements will be much more difficult to achieve due to the following:

a. Any item of materiel which involves large amounts of GFM, or which requires manufacture, transportation and assembly of components (e.g. ammunition) is not, at this stage of development of the Army's and other automated management information systems, a practical and feasible candidate for direct cite financing. The potential exists to accommodate gathering and billing for such costs. However, virtually all of the Army's systems expertise is, and will continue to be, devoted to implementing the OSD Memorandum of 17 June 1977 and related subsystems required to make the DD Forms 2060 and 2061 viable financial management instruments.

b. Based on a recent audit report, DCASR-Army systems are in no condition to accept changes required to accommodate the use of direct cite on complex contracts. Specific reference is made to Audit Report EC 77-427, Report of Audit, "Special Review of Disbursement Interface U.S. Army Materiel Development and Readiness Command and Defense Contract Administration Services Regions", dated 9 August 1977. This audit report serves to illustrate that a massive amount of work needs to be done by OSD as well as DA before effective use of direct cite procedures can be achieved. Among some of the findings are:

(1) Use of the wrong appropriation cited on multi-funded contracts by DCASR in making payments.

(2) On some occasions the wrong appropriation was knowingly used by DCASRS.

(3) Administration of contracts with several accounting classifications is difficult.

(4) Under ASPR - the contractor is not required to submit payment requests by contract line.

(5) Contracts should contain specific instructions on how bills should be identified for the supplies or services furnished and for progress payments.

(6) In Summary, "contracts have not been written to accommodate the funding breakout required by the Army and to easily identify the appropriate fund to charge."

c. It is concluded that, at this stage, the best that the Army can do to increase the use of direct cite in the procurement area is to require that such procurements be on a separate contract, and that the contract require no GFM or the collection of other costs of any kind other than the administrative fee.

d. For the purpose of defining the first practical step in extending the use of direct cite, the following definition of a "simple procurement" is provided. A "simple procurement", for which the use of direct cite is feasible, is a procurement which provides for the procurement of an item to be furnished by a contractor directly to an FMS customer, FOB the contractors plant, and which does not require that the US Government provide any GFM (Government Furnished Materiel), plant and equipment or other services beyond contract administration, or the collection of any costs such as prorated R&D costs, unfunded costs or other miscellaneous charges.

10. Criteria for Direct Cite Procurements.

a. It should be recognized that the original broad concept of using direct cite has been narrowed by OSD from the "across the board" concept down to the more realistic possibility of financing new procurement with customer funds via the FMS Trust Fund.

b. Major changes will be required in logistics and procurement concepts before a meaningful expansion of direct cite can be achieved in the procurement area. Examples of the former include: an understanding as to whether or not the logistician any longer will have under his control materiel acquired by the direct citation of the customers funds; whether such assets can be directed to Army use in an emergency; and, whether FMS requirements can be successfully merged into a consolidated procurement package. Procurement personnel and procurement policy makers will have to rewrite some of their procedural instructions if the direct cite method of financing is to be used. They will have to consider the possibility of writing separate contracts for FMS items to be furnished from procurement.

c. Procurement by direct cite is more a function of the materiel manager and the procurement specialist than it is of the financial manager. DA staff elements responsible for materiel management and procurement policy and procedures should, in conjunction with the Comptroller of the Army, provide the criteria to be met in order to use the direct cite method of financing customer orders.

d. Such criteria should, as a minimum, require an analysis of procurement plans, and a statement of the impact, if any, on consolidated procurement plans and the industrial base. Most of this information is already available and should be part of the case preparation. The essentials should be summarized in the Financial Plan or Financial Analysis accompanying the case. The criteria should identify and classify proposed direct cite cases in at least three categories DC-I, DC-II and DC-III.

(1) The "DC-I" cases should cover the simplest cases of direct procurement, referred to above, which require the DA to prepare the contract and the DCASR's and SAAC to administer the contract and handle all payments to the contractor, the accounting and the reimbursements from the FMS customer.

(2) The category "DC-II" cases may be entered into when all material to be furnished, e.g., GFM, and costs to be incurred are under the cognizance of a single Army element, i.e., a single DARCOM Command, the Corps of Engineers, the Surgeon General, etc. The

single command should have available to it, within its own headquarters, the knowledge of all costs (unfunded, nonrecurring R&D and production costs, etc.) which, in addition to the actual procurement costs, must be paid by the FMS customer.

(3) The "DC-III" category should cover the more complex cases involving procurement of major items and weapons systems. Planning for the sale of these systems which may begin three to five years prior to the actual sale must include a plan for the financing of the major item or weapon system and its components. This category of case will involve materiel or components which may be GFM or which involve the acquisition of components from other Army commands, or other services. It will require a great deal of effort and skill to develop automated systems to accommodate this type of case.

11. Impacts and Long Term Implications of Direct Cite.

Defense planners, strategic planners, mobilization planners, materiel managers and procurement staffs at all levels of management within the Department of Defense should be made aware of the impact and possible future implications of direct cite on the Army.

a. The Army's mission and responsibilities differ considerably from those of the Navy and Air Force. It is relatively easy for the Navy to direct cite the construction of a half dozen three hundred million dollar ships and thus turn in a clean report to OSD. The Air Force may be able to do substantially the same. The Army is in a somewhat different situation. FMS sales may have kept open the M-113 production line as a recent GAO report has stated (GAO Report B-165731, "Foreign Military Sales - A Potential Drain on U.S. Defense Posture", dated September 2, 1977 at page 25), however it should be noted that this was possible because of Army's management and control of the M-113 program which, according to the GAO report produced some 34,000 of these vehicles, "about 23,000 or 68%" of which "have been distributed to foreign countries".

b. The stated policy of the Department of Defense is set forth in the MASM, Part I, Chapter C (Policy) at paragraph 5b:

"Direct purchase of U.S. defense articles and services from U.S. firms and manufacturers is preferred to purchase from the U.S. Government. DOD elements associated with Security Assistance will cooperate with and assist representatives of U.S. firms in the sale of U.S. defense articles and services to meet valid country requirements, consistent with over-all U.S. foreign policy and national security objectives".



c. The Council of Defense and Space Industries (CODSIA) has taken a position in favor of direct procurement (letter dated February 17, 1976 to the chairman of the ASPR Committee). The major thrust of the CODSIA's argument is that profits made on FMS sales are not subject to review by the Renegotiation Board; that contracting through the Defense Department with FMS customers subjects industry to numerous rules and regulations that it would not otherwise be subject to if it could deal direct and; finally, the higher costs which are incurred in dealing through the Defense establishment hurts American industry in competing with other world suppliers. The CODSIA makes it clear that it could achieve substantially the same benefits if the FMS customer's funds were cited on a Defense Contract and certain provisions of the ASPR were to be revised.

Direct cite is then the precursor of direct procurement. The latter is the stated policy of DOD. Either the DOD must do something to neutralize the complaints from industry or it stands to lose what appears to be its present favorable image with foreign governments and U.S. industry. It is doubtful whether there would be an M-113 production line if the Army did not control the flow and scheduling of orders and production. It is also clear that in an era of relatively unstable national and international politics and economics the Army could be seriously damaged if U.S. industry can, and is authorized to, sell to foreign countries at a price less than the Army is required to pay.

d. The direct cite method of procurement, according to the DOD study "Study of Direct Cite versus Appropriation Reimbursement", dated 10 March 1976, on page 31, suggests that the U.S. Government merely becomes the procurement agent of the foreign country under direct cite procedures. The trend in the volume of Foreign Military Sales lends more than academic interest to this proposition. The situation is such that some employees have already expressed concern about filling "FMS spaces". They did not "hire-on" to become the agents of any foreign government regardless of its friendly relationship to the United States. Certainly with the growth of multi-national corporations and the transfer of assets to foreign countries the legal concept, and legality, of what the military services, their officers and employees become under direct cite should be examined. There is quite a distinction between being in the service of the U.S. Government and that of being an agent of a foreign government. An agent carries with it as a necessary correlation a principal and of allegiance to that principal.

e. The ultimate control of the Army over its industrial base could be threatened and eventually weakened by direct cite and

ultimately direct procurement. Its ability to direct new production to meet emergency requirements would be clearly threatened unless adequate safeguards are provided. The best safeguard for the Army is not to expose its industrial base to such a possibility by arranging and controlling the production capacity through new methods of contracting and new techniques for retaining the advantages of consolidated procurement combined as required and appropriate with the use of direct cite.

#### APPENDIX 14 TO ANNEX I - FINANCIAL MANAGEMENT

##### The Army Customer Order Contract System for Foreign Military Sales (ACOCS-FMS)

1. The purpose of this appendix is to present an overview of ACOCS-FMS, which is being developed primarily as the tool to implement new OSD guidance, issued by OSD Comptroller memorandum dated 17 June 1977, subject, Financial Management of the Foreign Military Sales Program.
2. ACOCS-FMS is a computerized general ledger control system for the management of trust fund obligation authority. This system, under the control of the USAILCOM Comptroller, will be the central data base of record for all trust fund obligation authority (OA) issued to Army, by SAAC, for OA applicable to reimbursable FMS cases. Through this system, control will also be established over the data elements contained in the DD forms 2060 and 2061, prescribed by OSD memorandum referenced in paragraph 1. Performing commands will obtain trust fund OA through terminals, connected to the central computer.
3. The fundamental need for the implementation of a system was to address the requirements established by OSD in the 17 June 1977 memorandum. The purpose of the new procedures was to prescribe new accounting and financial procedures for foreign military sales transactions. OSD specifically identified the need to establish integrated accounting and financial controls that would insure compliance with all requirements for the administrative control of funds and provide an accounting system that would meet GAO's standards. The net impact on the Army, however, was the requirement to establish a uniform policy to control the new authority (FMS Obligations) and the processing and control of DD Forms 2060 and 2061. It was recognized that Army needed a single focal point to manage all of the FMS cases. It was also recognized that whatever system or procedures were developed, they should be auditable by Army Audit Agency and presentable to GAO to obtain formal approval as an accounting and control system. These last two requirements would insure that every effort being proposed strictly adhered to Army policy and procedures.
4. In recognition of the need, the Implementation Team for Financial Management (ITFM) was established in August 1977 to coordinate the OSD policies. The Team not only recognized the requirement to rapidly develop a system to be responsive to the OSD directive, but to start using some of the newer technologies that were available, i.e., communication terminals capable of use as a tool to manage the new obligation

authority on a real time basis. This type of system would allow all users to look at the same data on a real time basis, and there would be no need for duplicate records at each organizational level. The real time terminal system would provide enhanced communication, coordination and control. A major consideration was also to avoid additional manpower requirements to implement the new system. ITFM looked at the existing systems (CCSS, CISIL, APARS, and PFCS) and the Finance and Accounting Center's system capability, and concluded that the existing tape/card oriented systems were not capable of supporting the requirements of OSD (C) directed procedural changes. ITFM also looked at contractor capabilities, and determined that the desired systems were available and could be used to implement new system requirements.

5. The relationship of the major systems are reflected in Figure I-14-1. USAILCOM uses both the CISIL system, which it manages, and the ACOCS system, which it will manage, to accomplish its OA control functions. ACOCS will be USAILCOM's financial management tool which integrates with the CISIL system and complements it as necessary. ITMF considered that this would not in any way impede the logistics implementation of foreign military sales actions, but would, in fact, complement this system and give Army improved controls in the financial management area.

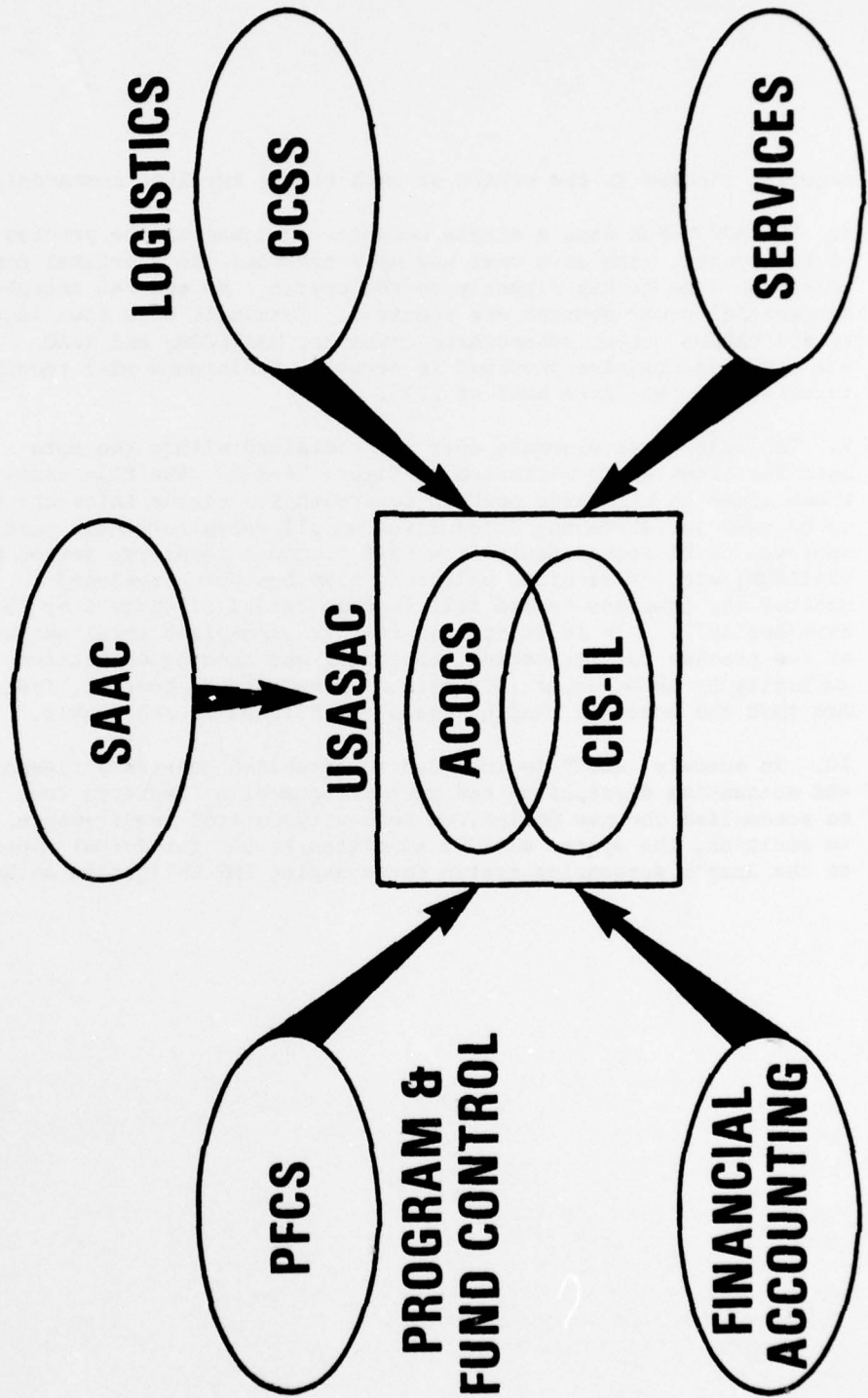
6. The ACOCS-FMS system implementation is composed of three stages, A, B, and C. Stage A is to establish the basic system for requesting, processing, and gaining release of FMS Obligation Authority. Stage B represents the detailed procedure for issuing obligation authority from the Stage A system by individual case and line item and also establishing financial integration as necessary with other systems. Stage C remains in an unscheduled condition until a firm approach can be developed for management of the detailed financial planning required to manage Part B of DD Form 2060 and DD Form 2061.

7. Case managers are primarily involved in originating a case. The Letter of Offer serves as their entry into the system on original cases and is either screened or processed by the USAILCOM Washington Field Office, which is not represented as a major player, but is being included within the detailed design requirements. The Security Assistance Accounting Center, using a system approval process module, will approve cases, assign a document control number, date an authorizing individual signature, and issue the approved obligation authority through the system back to USAILCOM in the form of a formal fund release authority document. All actions relative to requesting approval of obligation authority are processed through the system and there will be no manual document processing or suspense follow up action required since all the information concerning the DD Form 2060 can be queried through the individual



**TASAPS-77**

**FMS SYSTEMS**



terminal located in the office of each of the involved commands/agencies.

8. The ACOCS-FMS uses a single computer in managing the process of the system, with each user having a terminal and a printer through telephone line hookup directly to the system. No special telephones nor special power sources are required. Terminals have been installed at all DARCOM major subordinate commands, USAILCOM, and SAAC. All commands/agencies involved in security assistance will receive terminals in the first half of FY78.

9. The major data elements that are contained within the data base for Stage A are reflected in Figure 14-I-2. The file containing these elements will also contain comprehensive status information to be used in retrieving information on all cases currently pending approval of OA requirements from SAAC or cases requiring action by USAILCOM, etc. A detailed milestone plan has been developed to monitor the progress toward full implementation of Stage A by 18 November 1977. It is recognized that to accomplish total automation of the process for requesting, approving and issuing obligation authority by 18 November 1977 is a difficult task; however, indications are that the schedule that has been established is achievable.

10. In summary, ACOCS is intended to establish necessary financial and accounting disciplines and give management an improved tool to accomplish the new Obligation Authority control requirements. In addition, the system will be submitted to GAO for formal approval as the Army's accounting system for managing FMS Obligation Authority.

ACOCS  
FMS CASE LEVEL OBLIGATION CONTROL

DATA ELEMENTS

- Country
- Case
- 1513 Value
- Admin/Accessorial Value
- Material/Service Value
- OA Received Thru Current Year
- OA Required Thru Current Year
- Budget Year OA Requirement
- Projected Total Case Requirement
- O/A Issued

Figure I-14-2 ACOCS data elements

## APPENDIX 15 TO ANNEX I - FINANCIAL MANAGEMENT

### Working Capital Funds - Army Stock Fund

1. General. Title 10 U.S.C. 2208 provided the Secretary of Defense a means to control and account more effectively for the costs of programs and work performed within the Department. The Secretary executed this authority for stock fund operations by issuing DOD Directive 7420.1. The current version of this directive is dated 26 January 1967.

a. Pursuant to the above authority, the Army Stock Fund was established as a working capital (revolving) fund to finance the procurement of consumable-type materiel, i.e., supplies, repair parts, and minor items of equipment, necessary to maintain required levels of inventory on hand and in order to support operational requirements. The materiel is purchased and held in the stock fund at Army depots in CONUS and overseas theaters and at stations in CONUS, for resale and for mobilization reserve purposes.

b. The stock fund holds the cost (actual) of such materiel in suspense from the time of obligation for procurement, receipt, and storage until issued for use or consumption. The costs (at standard price) are then chargeable as "expenses" to the applicable benefiting operating appropriation under an expense account structure consistent with the uniform program element structure established under the DOD Resource Management System.

c. Under the direction of the Secretary of the Army and the Chief of Staff, the Deputy Chief of Staff for Logistics as the Program Director of the Army Stock Fund, has the responsibility for requirements determination, procurement, distribution, maintenance, and disposal of secondary items of supply held in the stock fund. These basic wholesale functions are performed at the National Inventory Control Points (NICPs) by inventory managers who exercise centralized supply management and control of their specific commodity categories of stock fund inventory.

### 2. Organization.

a. Army Stock Fund operations are organized and administered under separate charters approved by OSD for each of the nine operating stock fund divisions. The fund operates under the command channel concept, based on the management principal that supply and financial management should be exercised through command channels consistent with the organizational command structure of the Department of the Army. This concept conforms with DOD policy which provides that, "Within each military department or defense agency, the responsibility for stock



fund management shall conform to departmental or defense agencies' policies and assignments of responsibility for financial and supply management." Accordingly, responsibility for administration, management, and operation of each of the Army Stock Fund divisions is vested in the respective major commanders in CONUS and overseas in the same manner and through the same command channels as those used for other assigned missions. The channel of command responsibility follows through all levels of operation, from the division home office to the subhome office(s), when applicable, and hence to the branch office. Normally, the major command headquarters is the home office, subordinate commands are subhome offices and field installations are branch offices.

b. Identification of the Army Stock Fund divisions and respective division managers are as follows:

<u>Division Title</u>	<u>Division Fund Symbol</u>	<u>Division Manager</u>
Defense Supply Service - Washington (DSS-W) Division	21X4991.0220	Director Defense Supply Svc Washington, D.C.
US Army Training and Doctrine Command (TRADOC) Division	21X4991.0257	Commander, US Army Training and Doctrine Command, Ft Monroe, VA
US Army Forces Command (FORSCOM) Division	21X4991.0276	Commander, US Army Forces Command Ft McPherson, GA
US Army Europe (USAREUR) Division	21X4991.0381	Commander in Chief US Army, Europe and Seventh Army Heidelberg, Germany
US Army Japan (USARJ) Division	21X4991.0477	Commander, US Army Japan, Camp Zama, Japan
Eighth US Army (USAEIGHT) Division	21X4991.0478	Commander, Eighth US Army, Seoul, Korea
US Army Development and Readiness Command (DARCOM) Division	21X4991.0600	Commander, US Army Materiel Development & Readiness Command Alexandria, VA

US Army Development and  
Readiness Command (DARCOM)  
Installation Division

21X4991.0700

Commander, US  
Army Materiel  
Development and  
Readiness Command  
Alexandria, VA

US Army Commissary Resale  
(USACORD) Division

21X4991.0832

Commander  
US Army Troop Spt  
Agency  
Fort Lee, VA

### 3. Pricing.

a. Normally, each item financed under a stock fund has a single standard price used for inventory accounting and for effecting reimbursement for sale. The standard price of each item includes:

(1) The current procurement cost of the item.

(2) Transportation costs from producers' depots to installation level activities.

(3) A surcharge where necessary to compensate the stock fund for all normal operating losses on current procurement and for authorized expenses. Surcharge factors are usually reviewed annually. More frequent reviews may be made during period of fluctuating prices.

b. Standard prices do not include operating costs such as salaries and inventory in-storage maintenance and preservation costs which are charged to applicable departmental operating appropriations specifically provided therefor.

4. Reimbursement Billing. The stock fund basically uses the DOD MILSTRIP Interfund Billing procedure wherein customer accounts are charged and the selling stock fund division account reimbursed for stock fund sales. These entries are reported through fiscal channels as transfers between appropriations. In certain situations the SF 1080 is used, for example, where the customer is not in the interfund billing procedure or where the finance officer is responsible for both funds (stock funds and the customer's appropriated funds). FMS customers were excluded from the interfund billing procedures until January 1976 when Army policies/procedures were modified to provide for their inclusion in order to improve and sustain the cash position of the Army Stock Fund. The stock fund normally

follows a monthly billing cycle, and in certain cases, more frequently when it is necessary to maintain an adequate balance in the stock fund account. The system provides for billing adjustments for errors, short and damaged shipments and credit for returns where applicable.

5. Funding Process.

a. The funds that are received through the budget process in order to finance inventory procurement and authorized expenses come in the form of commitment authority and obligation authority. Stock funds are not exempt but are subject to apportionment of obligational authority related to the materiel category for which separate budgetary control is required. The obligation authority so apportioned is allocated to the major commands responsible for management of its stock fund division, and distributed through command channels to the stock fund branch (installation level). The total amount of obligation authority provided through these processes is available for commitment purposes. Both obligation authority and commitment authority are subject to regulations governing the administrative control of funds. Obligation authority received enables the stock fund to procure the supplies, repair parts, etc., it needs and to incur other obligations in the conduct of its business. Army stock fund cash which is allocated (distributed) in a similar manner, where required, pays for materiel deliveries and other authorized expenses. The cash available to each stock fund division depends upon its ability to generate cash through the reimbursable sales and collection process.

b. Generally stated, reportable violations of Section 3679 Revised Statutes governing the administrative control of funds include:

(1) Overobligation or overexpenditure of stock fund apportionments, allocations, or allotments.

(2) Obligations that will result in expenditures upon delivery of materiel or rendition of services in excess of cash estimated to be available in the cash account of the stock fund.

(3) Actual expenditures (including accounts payable) in excess of available cash in a stock fund.

Under the authority of the annual DOD Appropriations Act, Army regulations (AR 37-20) provide that a violation will be considered

to have occurred in the Army Stock Fund when --- (C) "disbursements are in excess of cash balances recorded in an Army Stock Fund division cash account." Close surveillance and control is exercised at all levels within Army to preclude possible RS 3679 violations in Army Stock Fund operations.

c. Funds are used to finance inventories for operating levels, economic retention, war reserves and contingency retention. Sale of inventories may result in an immediate collection of cash or may create an account receivable. Replacement inventories are purchased when predetermined minimum stock levels are reached or upon receipt of a special requisition.

#### 6. Reporting.

a. Financial accounting and reporting at all levels of stock fund operations (home offices, subhome offices, and branch offices) are prescribed in AR 37-111 and AR 37-152 pursuant to DOD policy. The regulations provide for a closely disciplined commercial type double entry accounting system in order to protect the financial integrity of the fund, meet the requirements for overall financial and supply review, and develop reports required by Congress and other government agencies for financial control actions under the budget process. The financial reports, schedules, and analyses reflect the status of assets, liabilities, and net worth of each entity of the Army Stock Fund and the results of operations for the period covered by the reports. They also provide essential elements of financial management data for review, evaluation, and decision-making at all levels of stock fund operations.

b. Business-type budget statements and schedules are prescribed in the Army annual budget formulation directive issued by the Comptroller of the Army to govern the preparation of annual budget estimates for each stock fund division. Apportionment and reapportionment actions and requests for approval of reprogramming actions are submitted by each stock fund entity in accordance with the Army Stock Fund Program Guidance and Instructions issued annually by the Department of the Army. Stock fund operating budget estimates and reapportionment requests must be consistent with the fund availability contained in the command operating appropriation budget estimates for materiel to be purchased from the stock fund. Similarly, wholesale stock fund (DARCOM division) operating budget estimates and reapportionment requests must be consistent with the planned procurement of the major command (retail) divisions.



c. Fiscal year end certified reports required under Section 1311, P.L. 663, 83rd Congress and DOD implementing instructions applicable to Army Stock Fund operations are prescribed in AR 37-151. Army major commands prepare and certify the year end balances of the respective stock fund divisions reflecting unliquidated obligations, unobligated balances, orders received and reimbursement earned and collected. The data is submitted to the U.S. Army Finance and Accounting Center (USAFAC) for reconciliation, consolidation and preparation of Department of Army fiscal year end certified stock fund statements.

7. Stock Fund General Ledgers.

a. General Description.

(1) The DOD has authorized the establishment of nine stock fund divisions in the Army and prescribed a standard chart of general ledger accounts to be used by all divisions. The accounts provide a uniform classification in summary form of financial data, in accordance with GAO and DOD standards of governmental double-entry accrual accounting for assets, liabilities, capital, income, expense, inter-office, and statistical accounts. AR 37-111 provides a description of the prescribed accounts and representative pro forma entries applicable at home office, subhome office and branch office levels. Subsidiary accounts are authorized to be established for uniform use within a division as deemed appropriate for internal management and control of stock fund operations.

(2) Accounting transactions and related entries are the result of sales (reimbursable issues), receipt, purchases, turn-ins, etc., of stock fund owned inventories. Financial transaction codes and supply transaction codes are used to convert the transactions to general ledger accounting transactions. The output products from this system are interfaced with the standard base-level general accounting and finance system for updating general ledger account balances and preparation of trial balance reports, financial inventory reports and stock financial fund statements.

(3) Where stock fund operations are mechanized, the general ledgers, subsidiary ledgers and supporting documentation are maintained under DA standard automated systems, (e.g., ALPHA, SPEDEX, SAILS, etc.) for wholesale and retail level stock fund operations. The automated systems not only record the day to day supply and related financial transactions as they occur at home, subhome and branch office levels

as applicable, but provide output products which summarize and transmit supply and financial data required for management, analysis and control of stock fund operations and preparation of prescribed stock fund division reports.

b. Central Department of Army Ledgers.

(1) General Ledger Accounts, related pro form entries and supporting documentation applicable to Army Stock Fund Operations are prescribed in AR 37-151 for use at operating agencies and the U.S. Army Finance and Accounting Center (USAFAC). Financial activity is reported to USAFAC by the Army major commands for recordation in the central Department of Army accounts maintained by that office. The data received by USAFAC is reconciled, summarized and used for the preparation of consolidated Department of Army financial reports to meet internal and external requirements prescribed in AR 37-151 and the DOD Accounting Guidance Handbook 7220.9-H. Under a system being developed, general ledger and subsidiary reporting will be transmitted by installations direct to USAFAC.

(2) The records maintained by USAFAC reflect the monthly consolidated Treasury cash balance of the Army Stock Fund as well as the balances of the respective stock fund divisions and the balance of unallocated cash held by the Department of the Army. Procedures for reconciling and adjusting balances in the stock fund cash, undistributed disbursements and undistributed collection accounts of USAFAC and the division home offices are prescribed in AR 37-151 and AR 37-111.

(3) FMS Case requisitions become a customer of the stock fund when processed by the performing command. At the time of shipment, the stock fund bills the trust fund through inter-fund procedures. These procedures are discussed in paragraph 22d, Chapter 14.

## APPENDIX 16 TO ANNEX I - FINANCIAL MANAGEMENT

### Working Capital Funds - Army Industrial Funds

1. General. The authority for industrial funds in the Department of Defense is Section 405 of the National Security Act, as amended (10 U.S.C. 2208). The Army Industrial Fund is one of several such industrial funds established under this authority by the Secretary of Defense. Each consists of the undisbursed balance with the Treasury, accounts receivable, inventories of materials, supplies, work-in-process, and all other assets pertaining to or acquired in operations of activities financed under the fund, subject to all liabilities incurred in connection with operations. Department of Defense Directive 7410.4 governs operation of industrial funds within the Department of Defense. Department of Defense Instruction 7410.5 prescribes financial reports for DOD industrial funds. Within the Army, DOD guidance is implemented through AR 37-110, further supplemented by additional regulations and manuals providing detailed guidance for each separate activity operating as a subdivision of the Army Industrial Fund. The separate activities include:

- a. Depot facilities.
- b. Missile facilities.
- c. Armament facilities.
- d. Research and Development facilities.
- e. Transportation and terminal facilities.

2. Funding Process. The Army Industrial Fund is a special type of revolving fund established under symbol 21X4992 to provide working capital for industrial and commercial-type activities of the Army. Funds are initially made available based on the initial working capital requirement of a specific activity operating under the fund. Within the combined funds available to all activities, the Army allocated and adjusts funds to each separate activity based upon review of operating budgets and financial statements. The funding process is controlled through approved operating budgets for each activity account. This includes forecasts of monthly reimbursements, disbursements, and cash requirements, supported by statements of the sources of funds from which reimbursements are anticipated and by projected statements of revenue and costs and statements of financial condition.

a. The industrial fund is reimbursed for full operating costs incurred including overhead paid from the fund and collected in prices charged for products and services rendered to its customers. Reimbursement for products and services to activities within the Department of Defense is accomplished by the industrial fund activity by cross disbursement without use of checks. Reimbursement from other activities is through billings and receipt of checks. Fund managers seek to avoid overcharging customers and to minimize annual gains and losses in the industrial fund.

b. In addition to Army activities and other Department of Defense components, customers of the industrial fund include other federal, state, and foreign government agencies (FMS and MAP/Grant Aid), and private individuals and concerns under certain authorized conditions. Charges for customer orders for activities other than Federal Government agencies provide for recovery of total costs including unfunded cost such as military labor, depreciation, and other administrative and overhead costs not paid from the fund. Unfunded costs recovered are either returned to the appropriations initially bearing the costs or to miscellaneous receipt accounts of the Treasury.

c. Disbursement from the industrial fund pay for all operating costs, investments in inventories and work-in-process, and for contractual obligation incurred in providing service and materiel to fill specific customer orders. The industrial fund does not finance fixed capital (plant and equipment). It may, however, be used on a reimbursement basis to finance costs that are not directly applicable to production work of the activity.

3. Funded Resources. The Army Industrial Fund is not under apportionment control. Funds available for obligations are not restricted to a total of fund allocations. Fund resources include the cash balance of the fund account 21X4992 maintained by the Treasury, accounts receivable for completed industrial fund customer orders, and the value of unfilled customer orders accepted for accomplishment by the industrial fund. Progress billings are prepared and collected each month against such orders based on the investment of the industrial fund toward completing the orders. An industrial fund activity has authority to enter into contracts within its approved operating budget to the extent its assets together with its anticipated reimbursements are sufficient to cover such obligations.

4. Reporting on Status of Funds. The Army Finance and Accounting Center (USAFAC) maintains a detailed accounting of all disbursements, collections, adjustments, transfers, and cash allocation and



withdrawal transactions applicable to account 21X4992. Assigned limitations to account 21X4992 identify each activity account operating under the fund. USAFAC prepares DD Form 1176, Report of Budget Execution, for account 21X4992. This is a monthly status report and summary of all transactions involving the account. USAFAC also prepares a monthly industrial fund cash data status report for the designated central accounting office of each activity account under the fund. Each central accounting office uses this report to maintain general ledger accounts for the Fund Balance with US Treasury (21X4992.XXX) and Undistributed Cash Disbursements and Undistributed Cash Receipts.

5. Financial Statements. HQDA prepares semi-annual and annual consolidated financial statements for the Army Industrial Fund in accordance with DOD Instruction 7410.5 from statements received from the two participating commands operating under the fund. These reports provide HQDA, the Secretary of Defense, and the Office of Management and Budget with information required for reviewing progress on financial programs and the position of industrial fund working capital. Reports are also furnished to the Treasury Department to meet the requirements of Treasury Department Circular 966. Reports listed below are prepared at mid-year and at the end of the fiscal year.

- a. Statement of financial condition.
- b. Statement of revenue and costs.
- c. Summary of sources of revenue.
- d. Statement of cash sources and application.

6. The AIF performs a vital role in security assistance, however, their visibility is low because of the method of funding used. DARCOM (DISCOM) funds AIF depots through project orders for maintenance, rebuild, and service orders for supply operations. Recoupment of supply and maintenance cost against FMS cases is at the Major Subordinate Command. The depots are funded with OMA - P7S and P7M funds.



ANNEX J  
DEPARTMENT OF THE ARMY  
OFFICE OF THE CHIEF OF STAFF  
WASHINGTON, D.C. 20310

DACS-DM/TASAPS

31 August 1977


MEMORANDUM THRU: DIRECTOR OF MANAGEMENT

FOR: DIRECTOR OF THE ARMY STAFF

SUBJECT: Army Security Assistance Organization--INFORMATION MEMORANDUM

1. Following TASAPS-77 briefing on 25 August 1977, you requested the study group provide you with responses to five questions pertaining to the study group's recommendations on the Army's security assistance organizational structure.
2. Responses to the questions are forwarded as attachments as follows:
  - a. What is an executive agent? (Tab A)
  - b. Is the assignment of a MACOM as an executive agent for security assistance necessary as opposed to following functional lines of responsibility? (Tab B)
  - c. What authority/responsibilities would be assigned to DARCOM as the DA executive agent? (Tab C)
  - d. What would be the impact on TRADOC if DARCOM was assigned as the DA executive agent for security assistance? (Tab D)
  - e. Would the establishment of an executive agent for security assistance diminish the authority of DCSOPS or HQDA? (Tab E)

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FREDERICK J. SIEBERT  
Colonel, GS  
Chairman, The Army Security  
Assistance Program Study

1. The term "executive agent" is defined in JCS Pub 1 and is explained and used in Army regulations.

a. JCS Pub 1 defines executive agent as: "a member of the Joint Chiefs of Staff to whom they have assigned responsibility and delegated authority which would otherwise be exercised by them collectively to carry out for them certain of their duties."

b. AR 10-51, USA Security Assistance Agency, Latin America (USASAALA), explains the term as: "a member of the Department of the Army designated to act on its behalf in the execution of specifically defined functions or activities."

2. The assignment of an executive agent by HQDA delegates the authority for the execution of its functions and the assignment of functions is normally tailored to clearly define the extent or limit of delegated authority. HQDA reserves decisions concerning policy, promulgation of Army directives, allocation of resources, and assignment of missions. The executive agent is responsible for complying with HQDA policy and directives, ensuring proper coordination, keeping HQDA informed, making appropriate recommendations concerning the designated function, and referring policy issues or major decisions to HQDA for resolution.

3. An Army executive agent can be designated by DA message, letter, or by an Army regulation. Presently, there are over 20 Army elements designated as executive agents.

1. The assignment of a MACOM as an executive agent for program execution of security assistance functional responsibility/authority is necessary.

a. MACOMS are coordinate elements of DA and unless specifically authorized by HQDA, cannot task other MACOMS. In their relationship to other MACOMS, they can communicate directly to request, coordinate, apprise, maintain liaison, and assist, but not task.

b. Tasking authority over other MACOMS can be authorized in two ways:

(1) Through citation in an appropriate HQDA mission and function statement/document. For example, in AR 10-42, Organizations and Functions, United States Army Forces Command (FORSCOM), FORSCOM has been assigned authority to task other MACOMS and agencies in furtherance of its assigned responsibilities. (It is noted that similar authority is not contained in AR 10-11, Organizations and Functions, US Army Materiel Development and Readiness Command (DARCOM)).

(2) By formal designation of a MACOM as an executive agent with inclusion of tasking authority. In documents which designate executive agents, the scope of authority is specified. As an example, AR 10-51, which established USASAALA as executive agent, lists specific functions authorized to be performed.

2. While the use of AR 10-11 as the vehicle for authorizing DARCOM tasking authority over other MACOMS for security assistance matters without designation as DA executive agent is feasible, it is neither desirable nor recommended. Unlike other MACOM functions which are predominantly unilateral in nature, security assistance activities require direct



interface with OSD, ODCs/MAAGs, unified commands, other military departments, other USG agencies such as State Department and GSA, and with foreign government representatives. Moreover, unlike many other MACOM activities, security assistance operational functions cut across a multitude of subordinate and superior lines of functional responsibility. Increased effectiveness in program execution, once a policy decision has been made by HQDA, can only be achieved by assigning program execution responsibility to one agency, and concomitantly delegating it appropriate authority to single manage the administration of the multi-faceted program. DARCOM with responsibility for 90% of the program should be so designated.

As DA Executive Agent, DARCOM would:

- (1) Assume the responsibility as executive agent for the Department of the Army in matters relating to the development and execution of approved security assistance programs;
- (2) Act as the Army's point of contact with OSD, ODCs, MAAGs, unified commands, other military departments, DLA, GSA, US State Department, other USG agencies, and foreign government representatives for the development and execution of approved security assistance programs and cases;
- (3) Be responsible for integrating materiel programs and training by timely coordination with TRADOC, the Department of the Army proponent for the planning and execution of approved foreign military training programs, and where applicable, with other appropriate commands and agencies, for the integration of security, ancillary equipment, initial and sustaining support, maintenance support, and construction;
- (4) Task other US Army commands and agencies, as required, for security assistance requirements;
- (5) Establish and publish procedural guidelines for the administration of Army security assistance programs in conformance with DOD and DA policy;

(6) Maintain records essential to the administration of Army security assistance programs;

(7) Keep HQDA and all other appropriate headquarters, commands and agencies informed of the status of program administration;

(8) Conduct periodic management reviews of the Army's program administration and develop necessary corrective actions;

(9) Refer security assistance policy issues to HQDA for resolution.

Designation of Commander DARCOM as the Army's single manager responsible for the administration of the security assistance program will have little impact on TRADOC provided TRADOC is further delegated responsibility for: planning of the training portion of the total package concept, defining training requirements, and managing (to include internal financial management) approved cases and training lines in materiel cases involving CONUS resources. TRADOC would continue to rely on the central master data record system and customer order point operated by DARCOM.

TRADOC would have the authority to task other MACOMS/agencies for spaces in CONUS schools, OJT, observer training and resources to fulfill Mobile Training Team and Technical Assistance Team requirements. TRADOC would also be tasked to provide for pre-deployment preparation and training support to Technical Assistance Field Team (TAFT). Personnel selection, once the requirement is defined, would remain with MILPERCEN. When deployed, TAFT's would be under command and control of the appropriate headquarters designated by DA.



1. DCSOPS authority would not be diminished. To the contrary, it would be strengthened because its policy role would be clarified and responsibility for identifying policy issues and referring them to DCSOPS, or to other appropriate staff elements, would be clearly pinpointed. This clarification of policy responsibilities is covered at length in a subsequent paragraph. During the course of the TASAPS study, seven facets of the security assistance program were identified as being policy matters with which the DA staff must concern itself. The seven policy issues, together with the responsible DA functional staff agency, are as shown below:

<u>POLICY ISSUE</u>	<u>RESPONSIBLE STAFF AGENCY</u>	
	<u>PRIMARY</u>	<u>SUPPORTIVE</u>
1. Military Assessments of potential FMS sales/grant aid commitments.	DCSOPS	DCSPER DCSLOG DCSRDA ACSI
2. Diversions/withdrawals of materiel.	DCSOPS	DCSLOG DCSRDA
3. Interference with planned use of training base.	DCSOPS	DCSPER DCSLOG TSG
4. Interference with planned use of production base.	DCSRDA	DCSLOG DCSOPS
5. Release of technology.	DCSRDA	DCSOPS DCSLOG ACSI
6. DA Personnel Commitments	DCSPER	DCSOPS DCSLOG DCSRDA COA

7. Fiscal policies/procedures  
impacting on Army's own  
financial management.

COA

DCSPER  
DCSLOG  
DCSRDA  
TAG  
TSG  
COE

2. Security assistance policy issues surface in five different ways:

- a. Joint Actions. Example: Israel MATMON-B
- b. Joint Planning Documents. Example: MAP Planning Documents
- c. OSD Policy Statements which promulgate legislation and State Department/NSC decisions relative to FMS and Grant Aid.
- d. Issues generated within the Army.
- e. Foreign nations' FMS requests which do not fall within approved sales parameters pre-established by the Administration, the Congress, the State Department, or OSD.

3. It is clear that Joint Actions and Joint Planning Documents should continue to be acted upon by the ODCSOPS. The TASAPS proposed organizational structure recognizes this need and based it on the premise that FMS and Grant Aid commitments, once drafted and approved in principle through the Joint channels, would be passed to the Executive Agency by DSAA for implementation and management. The answer to the question as to whether or not the authorities of the DA Staff would be diminished lies in an understanding of how the proposed organizational structure would function to ensure that those policy issues contained in OSD policy statements and those contained in foreign FMS requests are routed to the proper DA Staff agencies for staffing. Clarification of these issues is provided below. It should be noted that the clarifying statements cover the security

assistance responsibilities of the entire DA staff and not just that of DCSOPS.

a. OSD Policy Statements.

There is no question that OSD policy statements must be routed to the appropriate DA staff elements to develop, coordinate and promulgate complimentary DA policy. The questions which do have to be answered are:

(1) How should the Army be interfaced with OSD to receive the policy statements?

(2) What Army agency/agencies should be made responsible for coordinating security assistance policy statements, particularly those which cross the functional lines of DA Staff elements?

The two questions represent two different, but related problems.

As to the first, the OSD-DA interfacing problem, there is general agreement that DSAA should be interfaced with a single executive agency for the interchange of actions relating to the execution and administration of approved programs. There is also general agreement the single DA executive agency should be DARCOM because of the overwhelming responsibility that agency has for the program. These agreements stem from an understanding of the magnitude of the overall program and acceptance of the fact that the preponderance of activity between DSAA and the DA falls in the category of program implementation/administration and not in the category of policy. The problem of how to interface OSD with DA, to receive and process policy statements, is made complex by the following:

(1) Although the preponderance of security assistance policy statements are issued by DSAA, other OSD elements also issue them, e.g., the OSD Comptroller, DDRE, and ASD (I&L).

(2) The OSD policy statements often cross the functional responsibilities of the DA Staff agencies.

(3) Policy issues, with which the DA Staff must concern itself, are not always clearly separable from program implementation/administration actions. This is further explained in a later statement describing how from FMS requests are received and acted upon.

(4) The unique role of the DSAA makes it both the principle policy maker and, on an exception basis, the FMS case coordinator at the OSD level. In addition, they represent the foreign clients in resolving issues relative to program administration and implementation..

(5) The desire of ISA/DSAA to have a single DA spokesman for security assistance with whom they can do business. This would necessitate establishment of a spokesman who could speak to policy issues and who could reply to questions relating to program execution and administration.

(6) The magnitude of the program effectively precludes maintenance of a large enough Army Staff element within the Pentagon to monitor the program in order to readily answer questions relative to program execution and administration.

Two extreme courses of action relative to interfacing OSD-DA for receipt and processing of policy statements evolve from evaluation of the above factors depending upon whether they are weighted to maximize efficiency in program implementation/administration and responsiveness to DSAA and the foreign clients or whether they are weighted to maximize recognition of the importance and sensitivity of the policy issues with the



attendant need to maintain high visibility of the program within the DA Headquarters. The first extreme, if that course of action were to be followed, would result in all interchanges, both policy-related and program implementation/administration-related, flowing directly between OSD and the Executive Agency, bypassing the DA Staff. The executive agency would have to be charged with the responsibility for ferreting out policy issues and raising them to the DA Staff for development of a DA position. The second extreme, if it were to be followed, would result in all security assistance interchanges flowing between the OSD and the DA Staff. The magnitude of the program precludes the latter and the TASAPS analysis rejected the first. The TASAPS recommendation on this problem, as modified by the IPR process, is to interface DSAA with the executive agency for interchanging actions relative to implementation and administration of approved programs and have OSD policy statements routed to, and acted upon, by the DA staff. Policy issues which surface in the field relative to program administration and implementation would be forwarded by the USASAC to the DA Staff for resolution. This recommendation is made even though it results in dual OSD-DA interfacing because this solution recognizes the importance and sensitivity of the policy issues and the need to keep DA corporate management informed. It also recognizes the magnitude of the program and the realities associated with how FMS requests are received and acted upon.

b. How FMS Requests are Received and Acted Upon.

FMS requests are received in three, diverse ways - through DSAA; through ISA and the OJCS; directly from the foreign client. The size of the program mandates that this will continue to be the case. The State Department, and OSD in turn, have established sales parameters which effectively delegate authority to DA for directly acting on the majority of the requests. The size of the program has also mandated that HQDA delegate authority to DARCOM/TRADOC to act on the majority of the requests received. The delegation of authority by HQDA has been spasmodic and has increased as the size of the program has increased and has resulted in a complex set of subsystems within which requests are processed and acted upon. For example, some requests for repair parts are passed through DSAA and some requests for new weapon systems, never before sold, are received at DARCOM. Regardless of how requests are received, security assistance activities fall into one of two, broad categories. First, is the decision to sell or to include as a future grant aid commitment, i.e., program approval. Second, is an amalgamation of the actions taken to fulfill the approved programs. With the exception of financial policies and procedures, it is the first part, or the program approval part, where policy issues are involved requiring DA Staff concern. DA has a responsibility to make military evaluations of certain sales and, in coordination with OSD, to make recommendations relating thereto to the State Department, and Congress. These requirements are clearly identifiable and could be promulgated to a field agency with instructions to refer such requests to HQDA before taking action. Second, assuming there is no military objection to the sale/GA commitment, the Army wants to fulfill

the commitments so that impact on readiness is either avoided or minimized. The second concern is a 'de facto' responsibility of the performing commands and it is interrelated with the first. Invariably, prior to the program approval process, DARCOM and/or TRADOC are tasked to develop options which could be utilized to meet the requirement. Such information is vital to any assessment. For these reasons, the TASAPS study group concluded that an executive agency should be established and interfaced with DSAA for all matters pertaining to development, execution and administration of all FMS sales cases approved either through the JCS process or under pre-established sales criteria and execution and administration of Grant Aid programs. Grant Aid program development would continue through the JCS - DCSOPS channels. Sales parameters would be further expanded and clarified within which the Executive Agency could operate and which would ensure policy issues discussed herein are raised to the DA Staff for resolution. This is simply an extension of a 'de facto' system and it would clearly establish responsibility to OSD and the foreign customer and it would streamline and simplify the handling of a vast program. With regard to the foreign customers, the potential sales which DSAA negotiates are invariably the ones which contain policy issues of DA Staff concern. Interface with the foreign customers at this stage should be with DSAA. Actually, DSAA has mandated this relationship. After the sale is approved in principle, the interfacing with the foreign customer should be with the executive agency for sales case development (defining the requests) and for matters pertaining to sales case execution. There should be no interfacing with the foreign customer and the DA Staff regarding sales case development or execution of the program.

c. The second problem which arose was what DA Staff agency or agencies should be made responsible for coordinating OSD policy statements and those policy issues surfaced by the field. The alternatives range from the DAS routing policy documents in the traditional manner to the DA Staff agency having primary responsibility to amalgamating all of the security assistance dedicated personnel spaces of all of the functional staff elements into one agency dedicated to, and responsible for, security assistance policy. The TASAPS recommendation on this problem, again modified by the IPR process, was selection of a course of action between the two extremes. The need to coordinate security assistance - peculiar policy which crosses functional lines and the need to keep the Vice Chief of Staff and the Under Secretary informed on important policy issues, makes it prudent to maintain a security assistance focal point within the DA Staff headed by a general officer to coordinate policy issues and to interface with OSD Staff elements in resolving differences relating to policy issues. The general officer heading the security assistance focal point would also be charged with keeping the Vice Chief and the Under Secretary informed and would have direct access to those two officials in carrying out that function.

d. Program Administrative Procedures. There is a need to develop certain administrative procedures at the DA Staff level because they affect systems which are used to meet the requirements of both the US forces and the foreign clients. MILSTRIP, MILSTAMP and MILSBILS are examples. These are often construed to be security assistance policy issues. They are not. They are administrative procedures which are standardized



by various DA Staff agencies working in coordination with their counterparts in OSD. Since the need for revision of the procedures is most often detected by the field, the use of a security assistance focal point in the office of the ADCSLOG (SA/--) to coordinate administrative procedural issues would be effective.

4. Summary. The establishment of an executive agency, with a cell in the Pentagon (Option 5) would have served as a single switchboard through which policy and operational matters would have been separately identified and properly routed. The handling of Joint Actions by DCSOPS would have been no exception to this. Action documents emanate from DSAA, after they have been approved by Joint Channels, and they would have been routed through the central switchboard. As stated previously, however, importance and sensitivity of policy issues, combined with the fact that policy documents emanate from many OSD Staff elements, makes it prudent to maintain a security assistance focal point as an integral part of the DA Staff even though dual OSD-DA interfacing results. It is, therefore, recommended that:

DA Staff

- Disestablish CASA
- Disestablish Director IL, ODCSLOG
- Organize ADCSLOG (SA/--) as Army Spokesman for Security Assistance, with minimum essential personnel to perform function.
- Transfer operational elements of ODCSOPS and ODCSLOG to MACOMS.

- Assign selected CASA functions to Office of ADCSLOG (SA/--)
- Retain HQDA policy formulation in functional areas as defined herein.
- Authorize direct access of ADCSLOG (SA/--) to USA and VCSA.

#### DARCOM

- Designate as Executive Agent for execution (less training) and administration of security assistance program.
- Coordinate training associated with sales of materiel in accordance with DARCOM/TRADOC memorandum of understanding.
- Redesignate USAILCOM as USASAC, (US Army Security Assistance Center).
- Interface directly with DSAA for program execution and administration as defined in executive agent authority.
- Interface with foreign customers in definition and execution of approved programs (less training).
- Maintain Army Security Assistance Master Program Data Record and acts as office of record for financial trust fund obligation authority (OA).
- Provide program administrative services to other MACOMS/agencies.

#### TRADOC

- Given authority for execution of security assistance training programs.
- Coordinate materiel associated with sales of training in accordance with DARCOM/TRADOC memorandum of understanding.
- Interface with foreign customer in definition and execution of training approved programs.

- Augment USASAC with cell of training specialists for total package coordination and integration of training and materiel cases.
- Input all required data to USASAC for inclusion in the Army Security Assistance Master Program Data Record.
- Responsible for administration, definition and execution of all MTT's, TAFTS and TAT's and training support.

OTHER MACOMS/AGENCIES

- Provide materiel/services/support as tasked by DARCOM/TRADOC.
- Input all required data to USASAC for inclusion in the Army Security Assistance Master Program Data Record.

ANNEX K

RECOMMENDED FUNCTIONAL RESPONSIBILITIES

1. Relative to developing improvements in managing the Security Assistance Program within the Army, the Study Group reviewed, in detail, the responsibilities assigned to the elements of the Army Staff as currently assigned. In view of DA guidance to remove operational functions from the Army Staff and the establishment of a new focal point on the staff, TASAPS recommends the following realignments of responsibilities.

a. Office of the Deputy Chief for Logistics.

(1) Act as principal Army Staff representative and focal point of contact within the Army Staff relative to security assistance, interacting with OSA, DOD, and other agencies dealing with security assistance as appropriate.

(2) Coordinate a continuing assessment of the full impact of security assistance policies and policy changes on the Army's ability to accomplish its security assistance mission, and under the guidance of the ASA(RDA) reclama areas detrimental to Army readiness.

(3) Serve as Chairman of the Army Security Assistance Coordinating Group (ASACG) and Advisor/Secretary of the Security Assistance Steering Group (SASG).

(4) Serve as a member of the Program Guidance and Review Committee (PGRC), the Budget Review Committee (BRC), and the Select Committee (SELCOM) when these committees consider matters related to security assistance.

(5) Serve as a member of the Army Staff Council.

(6) Serve as the Army representative to the Middle East Task Group (METG).

(7) Monitor the preparation of Army security assistance policies, plans, and programs to support the Army security assistance effort.



(8) Identify security assistance coordination and control requirements and assure comprehensive staffing and the interaction of appropriate Army Staff members.

(9) Ensure that differences which arise among functional proponents in the execution of their security assistance responsibilities are resolved or referred to the CSA/VCSA or SASG, as appropriate.

(10) On a continuing basis, assure availability of comprehensive information relative to overall Army security assistance commitments and their impact on Army force structure (including Reserve Components), readiness, training, and approved programs.

(11) Ensure CSA/VCSA are informed of the Army Staff position on all significant security assistance matters.

(12) In conjunction with the ASA (RDA) assure that the SASG is provided with courses of action and impacts in cases where equipment diversions/withdrawals or significant commitments of Army resources would impair operational readiness.

(13) Under the direction of the ASA (RDA), assist OSD, as requested in government-to-government negotiations or inter-departmental discussions involving security assistance and in developing and negotiating new or revised bilateral or multilateral agreements that commit Army resources.

(14) Promulgate international logistics policy and procedure guidance.

(15) Prepare logistics sections of FYDP, POM & MAP Congressional presentation documents.

(16) Coordinate logistics, pricing policies, procedures & other fiscal matters pertaining to international logistics.

(17) Prepare logistics support requirements and policies.

(18) Performs unique functions for Mid-East Task Force (METG) for Africa & Near East Countries (Except Israel & Iran)

(19) Develop and execute MAP administrative and logistic budgets L10, L20, L40, L60; and FMS administrative fee.

(20) Monitor foreign aid legislative activities, promulgate information related thereto, coordinate Army views concerning their impact on security assistance policy and respond to congressional inquiries on short notice.

(21) Serve as proponent for rewriting, revising ARs 1-75, 10-51, 15-28, and CSR 11-21, 614-6.

(22) Publish Army Security Assistance Bulletin (ASAB).

(23) Serve as Advisor/Secretary to the bi-weekly ASA (RDA) meeting.

(24) Serve as the Army representative to the DSAA service counterparts.

(25) Task Army Staff agencies, as appropriate, to develop/coordinate Army position relative to security assistance policy related matters.

(26) Insure DA Staff coordination on commercial export license applications that are referred to HQDA by the Executive Agency (SA).

b. Office of the Deputy Chief of Staff Operations.

(1) Develop and recommend the Army position on proposed Department of State/DOD/JCS issue papers/joint actions regarding security assistance matters related to foreign policy.

(2) Develop and recommend Army position on Allied Army Forces in the context of planning for collective security (Book III, Volume II of JSOP), Military Cooperation to Other Nations Annex to the Joint Forces Memorandum, Military Security Assistance Projection (MSAP), and other documents of the Planning, Programing, and Budgeting System.

(3) Develop and recommend Army force objectives for allies or other friendly national and general strategic priorities tasks, and requirements for force development and security assistance.

(4) Develop Army Staff position on MAAG terms of reference and organizational matters to include coordination of manpower and training requirements relating to Joint Table(s) of Distribution (JTD).

(5) Monitor the selection and assignment of personnel to key security assistance positions by establishing criteria and

guidance regarding the qualification and training requirements for these personnel; process joint actions regarding nominations for JCS approval as required.

(6) Arrange and provide Phase III Washington orientations/briefings for key security assistance personnel.

(7) Develop recommended positions on Army short-mid-and long-range security assistance objectives, policies, plans, programs, and related areas in furtherance of US foreign policy, national security objectives, and national strategy.

(8) Developing and updating rational/documents expressing the Army need to play a continuing participatory role in security assistance policy formulation.

(9) War Reserve Stocks Allies (WRSA) - Provide the necessary strategic concepts, policies, and force requirements upon which the WRSA Programs will be based; monitor aspects of the Security Assistance Programs for impact on the WRSA Programs; establish distribution priorities for WRSA Programs in the DA Master Priority List (DAMPL), compute the required levels of SCS in accordance with ODS and APPGM guidance; annually revalidate the supported allied force structures, the type items, and quantities by LIN that are to be supported; publish an allied War Reserve Stockage List (WRSL), and forward the validated LIN to ODCSLOG and ODCSRDA, and exercise primary responsibility for preparing and coordinating the overall WRSA Programs.

(10) Complete joint and unilateral actions responding to Middle East Task Group requirements; preparing info papers, status reports re ongoing METG actions to Army representatives.

(11) Provide ODCSOPS positions re munitions export control cases.

(12) Serve as Army POC for the Security Assistance Management Courses at Wright-Patterson Air Force Base; assist in allocating spaces (Army-wide) for attendance to these courses.

(13) Provide the program direction and program management for the Operation and Maintenance Army (OMA) portion of Program 10 (Support to Other Nations) pertaining to support of international military headquarters/agencies, non-MAP portion of certain MAAGs/ODCs.

(14) Coordinate US Army position on foreign training programs which impact on US Army resources.

(15) Review training programs and MTT/TAFT support to determine Armywide capability to provide country request.

(16) Evaluate impact of annual special training programs on the training base.

(17) Establish priorities based on OSD guidance and US Army ability to support request.

(18) Recommend the Army position on issues related to foreign policy, national security policy, base rights (less logistical aspects), Country Analysis and Strategy Papers (CASP) for Latin American countries, Country Guidelines or Analyses for European Countries, Policy Analysis Resource Allocation (PARA) on countries of other areas of the world; and security assistance input to the Program Objective Memorandum (POM). Develop, by region and country, the Army's views on international relations, basic Army politico-military guidelines, and specific assistance programs and activities in coordination with ARSTAFF to ensure proper consideration of politico-military aspects.

(19) Provide ARSTAFF assessment of potential diversions/withdrawals of materiel from originally intended claimant, US and foreign, based on commodity data provided by ODCSLOG, ODCSRDA, and other staff agencies.

c. Office of the Deputy Chief of Staff, Personnel.

(1) Exercise overall staff supervision, direction, and control of the procurement, training, distribution, management, retention, and separation of all military, US civilian, and local national civilian personnel supporting security assistance activities.

(2) Provide guidance to the overseas Army commands, as appropriate, and the personnel support required for security assistance activities.

(3) Provide information and support, as requested, related to the selection and availability of military, US civilian, and local national civilian personnel supporting security assistance activities and operations.

(4) Designate foreign military training requirements at the Semi-Annual Programming Conference after a determination of the requirements at the Annual Security Assistance Workshop conducted by the unified commands and a review of the requirements by TRADOC.



(5) During staffing of FMS cases and other security assistance agreements, analyze and determine capability to meet individual Temporary Duty (TDY) and/or Permanent Change of Station (PCS) requirements to provide Technical Assistance Field Teams (TAFT), Technical Assistance Teams (TAT), Field Training Services (FTS), and Mobile Training Teams (MTT), and give impact as appropriate.

(6) Coordinate the dissemination of doctrine, policy, and guidance issued on all matters related to the Defense Language Program and to the Defense Language Institute.

d. The Deputy Chief of Staff for Research, Development and Acquisition.

(1) Exercise overall staff supervision, direction, and control of research, development, and acquisition matters supporting security assistance activities, including major items and systems provided foreign nations in the formulation of Product Improvement Programs.

(2) Consider foreign nations projected demands in the formulation of guidance and policy for Production Base Support Programs.

(3) Review all requests for security assistance from the viewpoint of research, development, production, and procurement, and prepare input to Army impact assessments, leading toward fully coordinated Army position.

(4) Plan inventory gains (production and paybacks) for FMS and grants under MAP.

(5) Plan for the WRSA and Special Contingency quantitative requirements within the Army's Authorized Acquisition Objective.

(6) Plan funding levels and budget programs within the five procurement appropriations for WRSA and Special Contingency for the budget year, as well as the program year.

(7) Recommend and issue policy and procedures for WRSA and Special Contingency to ensure consistent documentation in the Army Materiel Plan (AMP) and other budget support documents.

(8) Consider all non-Army funded security assistance programs in developing the Army procurement programs, including analysis of the DOD Military Security Assistance Projections (MSAP), and analysis of production base capacity.

(9) Compute the reimbursable order portion of the budget, in total for the five procurement appropriations.

(10) Prepare P-4 exhibits for nondirect programs to support the budget.

(11) Forecast and budget for RDTE and production investment nonrecurring charges.

(12) Apply collected RDTE surcharges as an offset to RDTE budget authority or to augment the RDTE program.

(13) Provide the point of contact within the Department of the Army for negotiating arrangements pertaining to research and development, exchange of research and development information, and monitor associated program development.

(14) Exercise staff supervision of the Product Improvement Program for Army materiel, including systems and major items provided foreign nations.

(15) Coordinate actions involving purchaser oriented RDTE efforts with the RDA.

e. The Assistant Chief of Staff for Intelligence.

(1) ACSI has responsibility for overall intelligence and counter-intelligence activities; for the coordination of the Army with foreign governments and international organizations involved in security assistance.

(2) Monitor disclosure of classified military information and release of sensitive technology to foreign governments and international organizations related to sales, grants, and leases of equipment (to include munitions export licenses); training of foreign nationals; tours and visits; requests for documentary information; and foreign representatives accredited to DA.

(3) Authorize, monitor and, as required, conduct foreign liaison, including providing the Army point of contact for foreign military personnel in the United States; monitor visits by foreign nationals to US Army installations and defense contractors for which DA has security cognizance, release of information and documents to foreign nationals and execution of DA, VIP, FMS, and International Military Education Training (IMET) tours.

(4) Develop and coordinate the Foreign Intelligence Assistance Program (FIAP) to assist friendly foreign governments in strengthening their military intelligence capabilities.

(5) Respond to requests for intelligence assessments and impact analyses relative to security assistance, including long range planning.

f. The Adjutant General.

(1) TAG is responsible for providing publications required in response to specific security assistance requirements of the Department of the Army.

(2) Act as the Department of the Army point of contact for Foreign Military Sales and Cooperative Logistics Supply Support Arrangements involving DA publications.

(3) Process Letters of Offer and forward requisitions to the US Army AG publication centers.

g. The Chief of Engineers.

(1) COE is the principal advisor on engineering matters related to security assistance activities, and supervises and coordinates all activities associated with and in support of assigned security assistance programs and projects.

(2) Develop and issue policy and procedural guidelines within the DA related to those security assistance activities involving engineering services.

(3) Provide a point of contact within the DA and participate in engineering services.

(4) Provide engineering, design, and construction services in accordance with approved and funded programs.

(5) Estimate engineering and other related costs for projects which may be assigned.

h. The Surgeon General.

(1) TSG, in response to objectives and specific requirements of HQDA, provides medical materiel, supplies training and related services to recipient countries.

(2) Prepare required reports associated with security assistance functions.

(3) Develop and issue policy and procedural guidance with the DA pertaining to security assistance actions and programs, including

cooperative negotiations involving medical services, materiel and maintenance programs and materiel life cycle management.

(4) Provide a point of contact within the DA and participate in medical services negotiation and host countries.

(5) Research, prepare, and present Letters of Offer for medical materiel and Cooperative Logistics Supply Support Arrangements.

1. The Security Assistance Steering Group.

(1) Serve as an advisory body to the Secretary of the ARmy and the Chief of Staff on matters having security assistance implications.

(2) Assess and interpret security assistance guidance and policy emanating from OSD and other Federal agencies.

(3) Provide guidance to the Army Staff for development of Army security assistance policy, plans, and programs.

(4) Provide a forum for the exchange of top management views concerning ongoing and/or anticipated security assistance actions.

(5) Review and recommend Army policy on all major aspects of security assistance that affect the Army.

(6) Consider proposed security assistance guidance, analyses, and recommendations from the Security Assistance Coordinating Group.

(7) Review and provide guidance on FMS actions concerning:

(a) Initial sales of first-line equipment.

(b) Sales of nonexcess materiel which may require diversion or withdrawal from Army inventories.

(c) Sales of first-line equipment still in the development stage or undergoing significant product improvement.

(d) Proposals for co-production of materiel in the research and development state or standard to the US Army.

(e) Personnel and training requirements which impact adversely on the US Army.

(f) Financial status of FMS program.



j. The Army Security Assistance Coordinating Group.

- (1) ASACG provides to the SASG those courses of action recommended for approval regarding security assistance activities.
- (2) Provide a continuous assessment of current and long range, worldwide security assistance trends to the Army Staff, as required.
- (3) Act as focal point for timely Army Staff coordination during processing of security assistance actions.
- (4) Assess Army Staff positions on short and long range impacts of specific security assistance proposals.
- (5) Take into consideration security assistance in the development of all Army long-range plans and programs.
- (6) Expedite security assistance actions approved by higher authority.
- (7) Ensure the integration of security assistance transactions into the mainstream of Army activities.
- (8) Review financial status of FMS programs.

k. US Army Training and Doctrine Command.

- (1) Define and execute all training of foreign military which utilizes US CONUS resources and reviews approved programs to determine the capability and agency to fulfill the requirement and costing of the training programs involved.
- (2) Task other lateral US CONUS Army commands, as required, for FMT requirements, and coordinate with US Army overseas commands on FMT requirements, as appropriate.
- (3) Supervise, coordinate, prepare, distribute, and monitor allocations of training furnished to foreign countries by Army activities, defense contractors, including formal courses, observer training, OJT, MTT, TAT, TAFT and FTS.
- (4) Supervise training given foreign students at US Army CONUS service schools, units, installations and agencies; provide guidance and instructions on special training programs and provide appropriate changes to training courses in order to meet foreign program objectives.

- (5) Supervise the DOD Information Program within CONUS; manage funds to support the program within the US Army.
- (6) Plan and coordinate CONUS orientation tour under IMET and FMS to include school tours to Washington, D.C. as part of the Information Program.
- (7) Interface with foreign customer in definition and execution of approved training programs.
- (8) In coordination with DARCOM, develop training plans to support materiel sales cases.
- (9) Supervise, coordinate, prepare, distribute and monitor allocations of training furnished to foreign countries by CONUS Army activities, defense contractors, (IMET or FMS) including formal courses, observer training, OJT, MTT, FTS and TAFTS.
- (10) Administer and manage all non-regional IMET funds (N6A, N1H and N7B) and those country IMET funds designated for CONUS OTT escort officers.
- (11) Manage and administer all USA MACOM IMET information program funds.
- (12) Control and monitor the USASAALA input to DSAA for the maintenance and update of the Latin American countries IMET-P.
- (13) Determine releasability of country request for training, training literature, training aids, and training devices in coordination with OACSI, HQDA.
- (14) Maintain FMS case ledger.
- (15) Publish the Security Assistance Education and Training Handbook.
- (16) Prepare Amendments/Notice of Change as required.
- (17) Ensure timely submission of billings against case.
- (18) Act as POC with all foreign attaches and MAAGS for established Foreign Military Training programs to include the following:
  - (a) Program Changes.
  - (b) Student disposition.

(c) Student administrative and personal problems.

(d) Serious incident reporting.

(19) Developing in coordination with unified commands, recommended allocations of Foreign Military Training spaces to Command and General Staff College.

(20) Develop and maintain management information to evaluate the magnitude and trends of Foreign Military Training programs.

1. The Commanding General, US Army Communications Command

(1) CGUSACC, in accordance with DCSLOG and CGDARCOM, develops policy and issues procedural guidelines on all security assistance activities which involve the establishment of fixed and semi-fixed communications facilities.

(2) Provide a point of contact within USASAC and participate in communications services negotiations with friendly and allied countries.

(3) As requested, perform in-country feasibility studies, installation surveys, and make equipment selection recommendations.

(4) Develop total or incremental communications systems for foreign nations, including long, mid and short range interrelated systems.

ANNEX L - ORGANIZATION/PROGRAM MANAGEMENT

Appendicies

- |   |         |
|---|---------|
| 1 - Status Quo  | L-16-2  |
| 2 - Director for Security Assistance in the Office of the Director of the Army Staff with a FOA | L-16-4  |
| 3 - Director for Security Assistance in the ODCSLOG with a FOA                                  | L-16-7  |
| 4 - Security Assistance MACOM   | L-16-10 |
| 5 - DARCOM as the Executive Agent for Security Assistance                                       | L-16-13 |
| 6 - Security Assistance Coordinating Office Assigned to ODCSLOG                                 | L-16-16 |



APPENDIX 1 TO ANNEX L - STATUS QUO

1. Characteristics.

- a. CASA designated DA Staff single POC.
- b. Joint policy, plans, programs by ODCSOPS.
- c. Program administration/operations shared; HQDA/Field.
- d. Total package responsibility shared - ODCSLOG/ODCSOPS/Field.
- e. Other DA Staff agencies exercise functional responsibility.
- f. USAILCOM - customer order control point/maintains Master Program Record.
- g. MACOMS perform within functional area.
- h. Customer interface is diffused.
- i. Advantages and disadvantages.

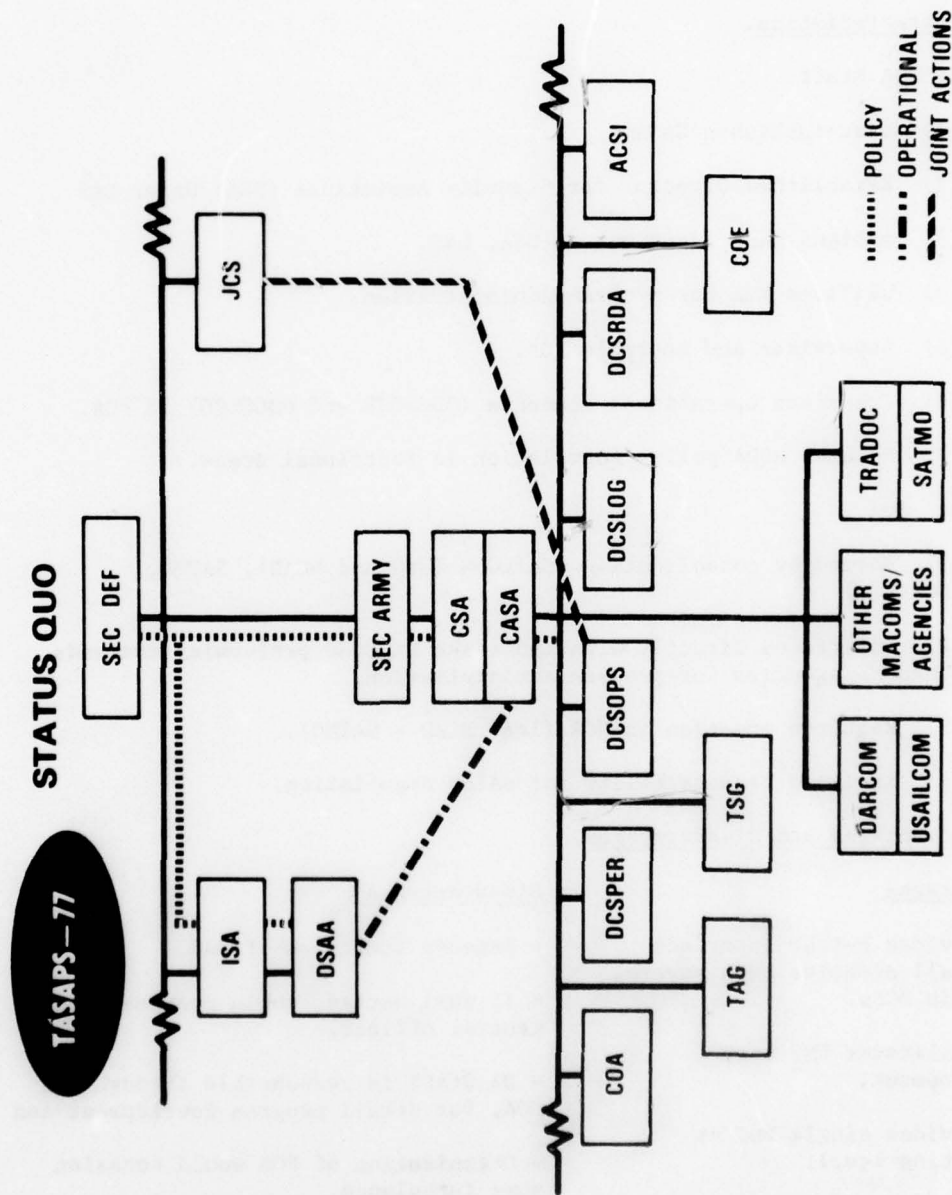
2. Advantages and Disadvantages.

Advantages

- CASA facilitates corporate level management in security assistance.
- CASA provides DA Staff security assistance focal point and POC.
- Functional responsibilities and checks and balances maintained at DA Staff and MACOMS.
- Avoids reorganization turmoil.

Disadvantages

- Responsibility for program administration not pinpointed.
- Excessive involvement of senior leadership in actions that are non-mission impacting.
- In practice "total package" responsibilities fragmented within HQDA and field.
- Actual and perceived lack of responsiveness.
- Exceeds general officer limitation.
- CASA extends CSA/VCSA span of control.
- CASA viewed as management layering.
- Customer interface is diffused.



APPENDIX 2 TO ANNEX L - DIRECTOR FOR SECURITY ASSISTANCE  
IN THE OFFICE OF THE DIRECTOR OF THE ARMY STAFF WITH A FOA

1. Characteristics.

a. DA Staff.

- (1) Disestablishes CASA.
- (2) Establishes Director for Security Assistance (DSA) Under DAS.
- (3) Assigns CASA functions to DSA, DAS.
- (4) Utilizes FOA for program administration.
- (5) Supervises and controls FOA.
- (6) Transfers operational elements (ODCSOPS and ODCSLOG) to FOA.
- (7) Retains HQDA policy formulation in functional areas.

b. FOA

- (1) Formed by consolidating USAILCOM (WFO and NCAD), SATMO, ODCSLOG-IL(-)
- (2) Interfaces directly with and tasks DARCOMS performing commands, other MACOMS/Agencies for program administration.
- (3) Requires location in NCR (less NCAD - SATMO).
- (d) Assigned responsibility for sales negotiation.

2. Advantages and Disadvantages.

Advantages

- Provides better interface with all agencies than several POCs in DCSs.
- Facilitates FMS case development.
- Provides single POC at operating level.

Disadvantages

- Extends functions of DAS.
- If dual hatted, could overload single general officer.
- DA Staff is responsible through the FOA, for detail program development and
- Organization of FOA would occasion some turbulence.

#### Advantages

- Should result in personnel savings through centralization.
- Provides greater unity in program administration, including total package.
- Will increase responsiveness to DSAA and client country.
- More closely conforms to traditional staff relationships than the CASA concept.
- Combines all elements involved in program administration.
- Pinpoints responsibilities for program administration.
- Further decentralizes the functions of HQDA and consolidates responsibilities.
- Reduces staff involvement in actions that are non-mission impacting.
- Reduces general officer requirements.

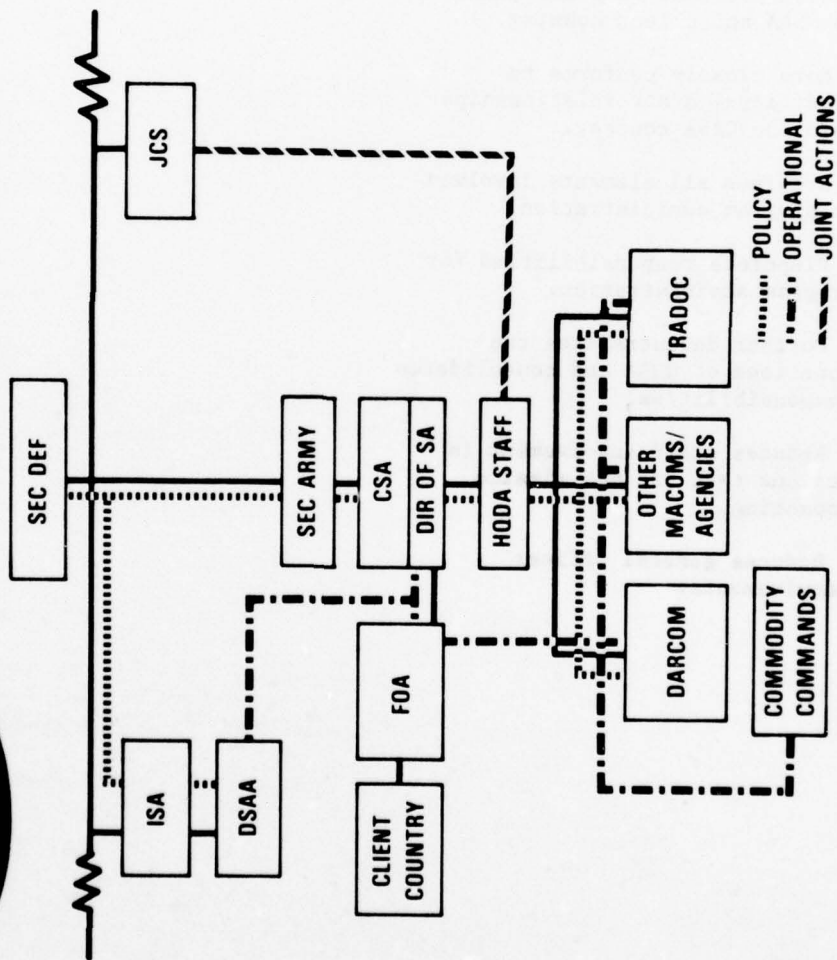
#### Disadvantages

- To achieve responsive program execution requires by-passing of HQ DARCOM.
- Causes formation of separate agency (FOA) for administration of a program that is predominately a responsibility of DARCOM performing commands.



TASAPS-77

# DIRECTOR FOR SA IN DAS WITH FIELD OPERATING AGENCY (FOA)



APPENDIX 3 TO ANNEX L - DIRECTOR FOR SECURITY ASSISTANCE  
IN ODCSLOG WITH A FIELD OPERATING ACTIVITY

1. Characteristics.

a. DA Staff

- (1) Disestablishes CASA.
- (2) Redesignates ODCSLOG and ODCSLOG-IL, ODCSLOG-SA and ODCSLOG-DSA respectively,
- (3) Assigns ODCSLOG-DSA CASA functions.
- (4) Utilizes FOA for program administration.
- (5) Supervises and controls the FOA (ODCSLOG SA).
- (6) Transfers operational elements in ODCSOPS and ODCSLOG to FOA.
- (7) Retains HQDA policy formulation in functional areas.

b. FOA

- (1) Form by consolidating USAILCOM (WFO and NCAD), SATMO, ODCSLOG-IL (-) and ODCSOPS-SSA (-).
- (2) Interfaces with and tasks DARCOM performing commands, other MACOMS/agencies for program administration.
- (3) Requires location in NCR (less NCAD-SATMO).
- (4) Assigned responsibility for sales negotiation.

2. Advantages and Disadvantages.

Advantages

- Provides better interface with all agencies than several POCs in DCSs.
- Facilitates FMS case development.

Disadvantages

- Extends functions of DCSLOG.
- If dual hatted, could overload single general officer.

#### Advantages

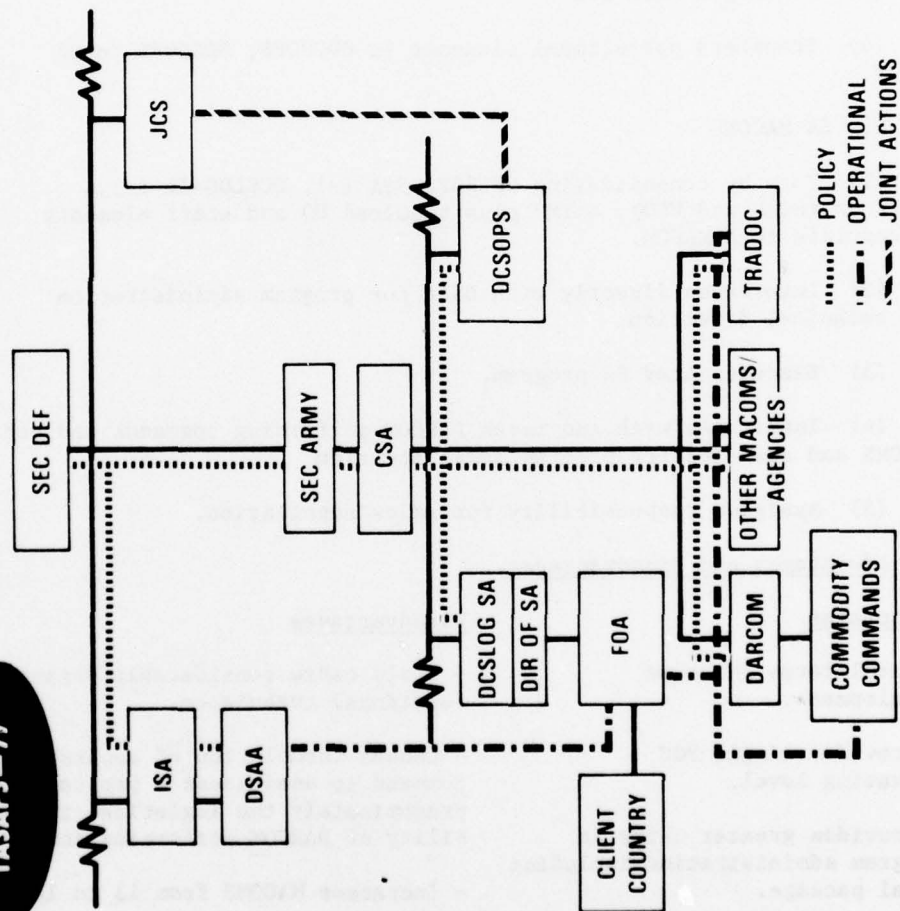
- Provides single POC at operating level.
- Should result in personnel savings through centralization.
- Provides greater unity in program development, including total package.
- Will increase responsiveness to DSAA and client country.
- More closely conforms to traditional staff relationships than the CASA concept.
- Combines all elements involved in program administration.
- Pinpoints responsibilities for program administration.
- Further decentralizes the functions of HQDA and consolidates responsibilities.
- Reduces staff involvement in actions that are non-mission impacting.
- Reduces general officer requirements.
- Establishes program administration in principle staff elements responsible for preponderance of SA activities.

#### Disadvantages

- DA Staff is responsible through the FOA for detail program administration.
- Organization of FOA would occasion some turbulence.
- To achieve program execution requires by passing of HQ DARCOM.
- Causes formation of separate agency (FOA) for administration of a program that is predominately a responsibility performing commands.
- Less visibility as POC than current CASA.
- Development of Army position may be perceived as a DCSLOG position.
- Staff responsiveness may be less than when POC located in CASA.
- Subordinates program administration to directorate level which complicates coordination with principle staff elements; a pre-CASA program weakness.

# **DIRECTOR FOR SA IN ODCSLOG WITH FIELD OPERATING AGENCY (FOA)**

**TASAPS-77**





APPENDIX 4 TO ANNEX L - SECURITY ASSISTANCE MACOM

1. Characteristics.

a. DA Staff

- (1) Disestablishes CASA.
- (2) Retains HQDA policy formulation in functional areas.
- (3) No single HQDA POC.
- (4) Transfers operational elements in ODCSOPS, ODCSOPS to SA MACOM.

b. SA MACOM

- (1) Form by consolidating ODCSOPS-SSA (-), DCSLOG-IL (-), USAILCOM (NCAD and WFO), SATMO plus required HQ and staff elements appropriate to a MACOM.
- (2) Interfaces directly with DSAA for program administration and technical direction.
- (3) Executes Army SA program.
- (4) Interfaces with and tasks DARCOM performing commands and other MACOMS and agencies for program administration.
- (5) Assigned responsibility for sales negotiation.

2. Advantages and Disadvantages.

Advantages

- Facilitates FMS case development.
- Provides single POC operating level.
- Provides greater unity in program administration including total package.
- Will increase responsiveness to DSAA and client country.

Disadvantages

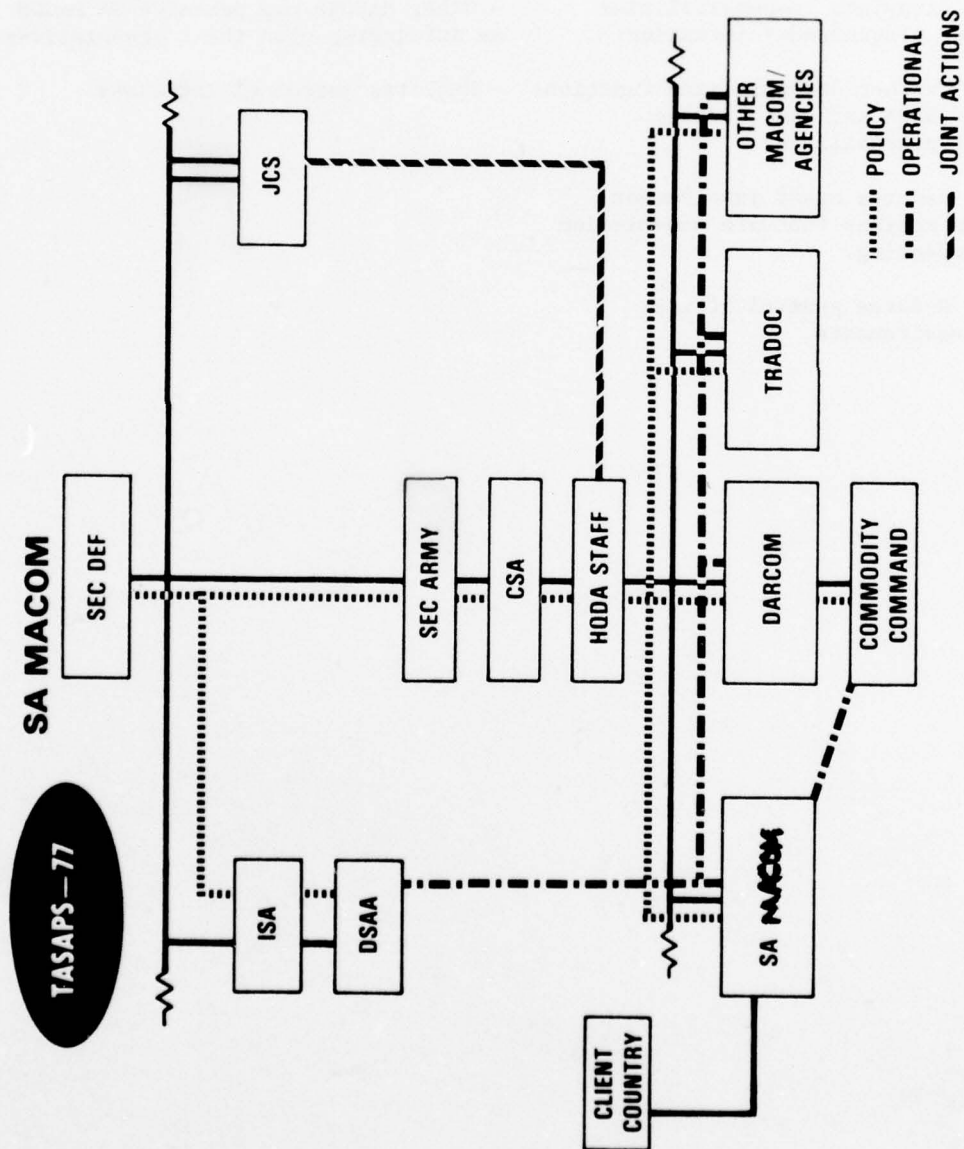
- Would cause considerable organizational/functional turbulence.
- Causes formulation of separate major command to administer a program that is predominately the logistical responsibility of DARCOM performing commands.
- Increases MACOMS from 13 to 14.
- Total removal of program administration from HQDA could be perceived as a

#### Advantages

- Combines all elements involved in program administration.
- Pinpoints responsibilities for program administration.
- Further decentralizes functions of HQDA and consolidates responsibilities.
- Reduces staff involvement in actions that are non-mission impacting.
- Reduces general officer requirements.

#### Disadvantages

- lessening of corporate management interest in a politically sensitive mission.
- Other MACOMS may perceive SA MACOM as infringing upon their prerogatives.
- Requires personnel increases.



L-16-12

APPENDIX 5 TO ANNEX L - DARCOM AS THE EXECUTIVE AGENT  
FOR SECURITY ASSISTANCE

1. Characteristics.

a. DA Staff

- (1) Disestablishes CASA.
- (2) Transfers operational elements in ODCSOPS and ODCSLOG to DARCOM.
- (3) Retains HQDA policy formulation in functional areas.
- (4) No single HQDA POC.

b. Executive Agent - DARCOM

- (1) Executes Army SA program.
- (2) Redesignates USAILCOM as USASAC.
- (3) Absorbs ODCSLOG-IL (-) and ODCSOPS-SSA (-) operational elements and received TRADOC representation.
- (4) Interfaces directly with DSAA for program administration and technical direction.
- (5) Interfaces with and tasks other MACOMS/agencies for program administration.
- (6) WFO (+) remains in NCR.
- (7) Assigns responsibility for sales negotiation.

2. Advantages and Disadvantages.

Advantages

- Facilitates FMS case development.
- Provides single POC at operating level.
- Greatest potential for net manpower savings.

Disadvantages

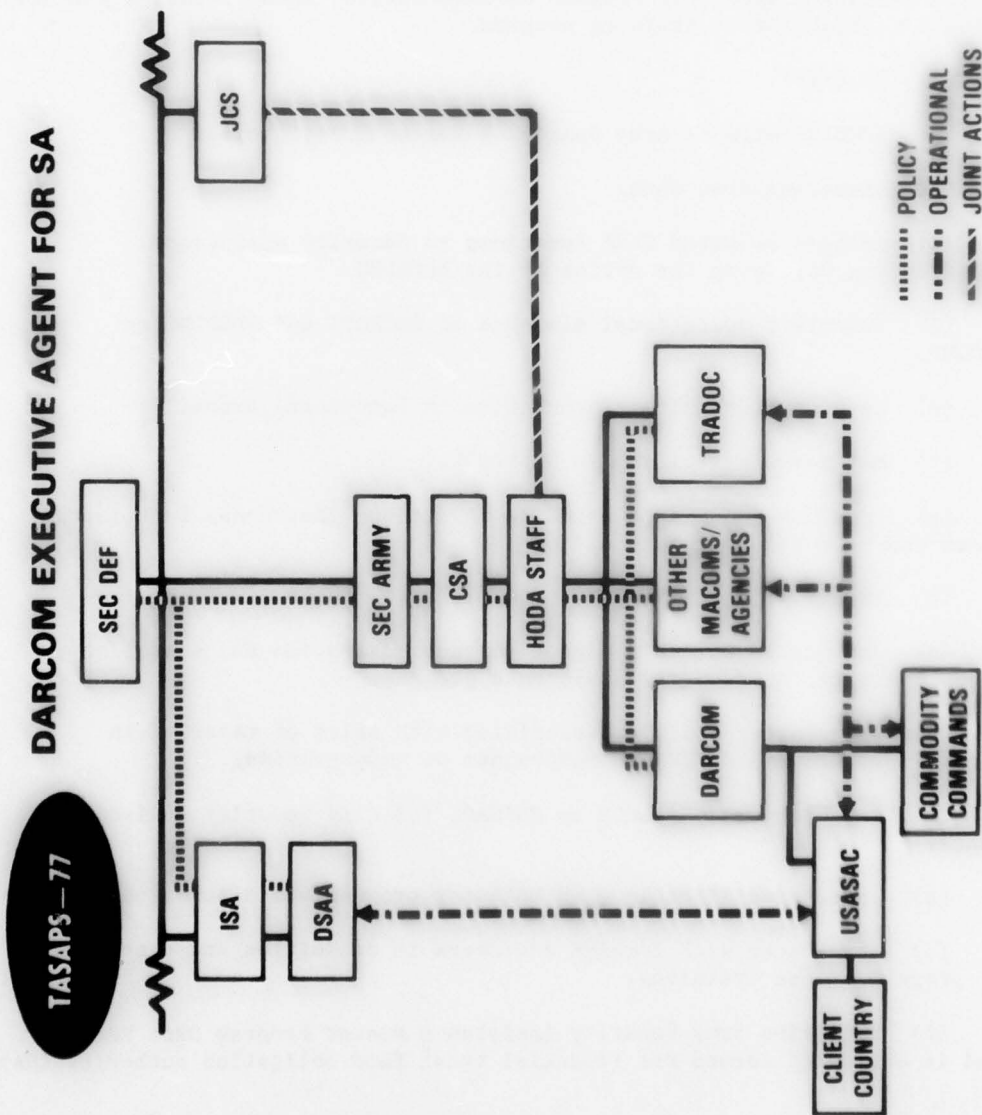
- Total removal of program administration from HQDA could be perceived as a lessening of corporate management interest in a politically sensitive mission.
- Other MACOMS may perceive as an infringement upon their prerogatives.



#### Advantages

- Provides greater unity in program administration including total package.
- Will increase responsiveness to DSAA and client country.
- Combines all elements involved in program administration.
- Pinpoints responsibilities for program administration.
- Maximizes decentralization of HQDA functions and consolidates responsibilities.
- Reduces general officer requirement.
- Uses supporting functional elements of an existing staff. Minimizes turbulence.
- Codifies and strengthens De Facto relationships between commands/agencies.
- Vests program administration in the command responsible for 90% of the program.

#### Disadvantages



APPENDIX 6 TO ANNEX L - SECURITY ASSISTANCE COORDINATING OFFICE  
ASSIGNED TO ODCSLOG

1. Characteristics.

a. Security Assistance Coordination Office assigned to ADCSLOG:  
DARCOM Executive Agent for Program Administration; TRADOC remains Executive Agent for execution of training program.

- (1) DA Staff
  - (a) ADCSLOG acts as Army Spokesman for security assistance.
  - (b) Disestablishes CASA.
  - (c) Assigns selected CASA functions to Security Assistance Coordinating Office in the office of the ADCSLOG.
  - (d) Transfers operational elements of ODCSOPS and ODCSLOG to MACOMS.
  - (e) Retains HQDA policy formulation in functional areas.
  - (f) Maintains visibility in DA Staff.
  - (g) Provides vehicle to expedite SA actions that cross functional lines and expedite Emergency Actions.
- (2) Executive Agent DARCOM
  - (a) Designated Executive Agent for administration and execution (less training) of security assistance program.
  - (b) Coordinates training associated with sales of materiel in accordance with DARCOM/TRADOC memorandum of understanding.
  - (c) Redesignates USAILCOM as USASAC, (US Army Security Assistance Center)
  - (d) Interfaces directly with DSAA for program administration.
  - (e) Interfaces with foreign customers in definition and execution of programs (less training).
  - (f) Maintains Army Security Assistance Master Program Data Record and is office of record for financial trust fund obligation authority (OA).

(g) Provides program administration services to other MACOMS/agencies.

(3) TRADOC

(a) Designated Executive Agent for execution of security assistance training programs.

(b) Coordinates materiel associated with sales of training in accordance with DARCOM/TRADOC memorandum of understanding.

(c) Interfaces with foreign customer in definition and execution of training programs.

(d) Augments USASAC with cell of training specialists for total package planning and integration of training and materiel cases.

(e) Inputs all required data to USASAC for inclusion in the Army Security Assistance Master Program Data Record.

(f) Responsible for administration definition and execution of all MTs, TAFTs and TATs, and training support.

(4) Other MACOMS/Agencies

(a) Provide materiel/services/support as tasked by DARCOM/TRADOC.

(b) Input all required data to USASAC for inclusion in the Army Security Assistance Master Program Data Record.

2. Advantages and Disadvantages.

Advantages

- Provides better interface with all agencies than several POCs in DCSs.
- Should result in personnel savings through centralization.
- Removes all operational functions from DA staff.
- Facilitates FMS case development.
- Provides greater unity in program administration, including total package planning.

Disadvantages

- Requires DSAA to deal with two POCs DA Staff for policy, DARCOM/USASAC for program administration.
- Other MACOMS may perceive as an infringement upon their prerogatives.
- Staff responsiveness may be less than when POC located in CASA.



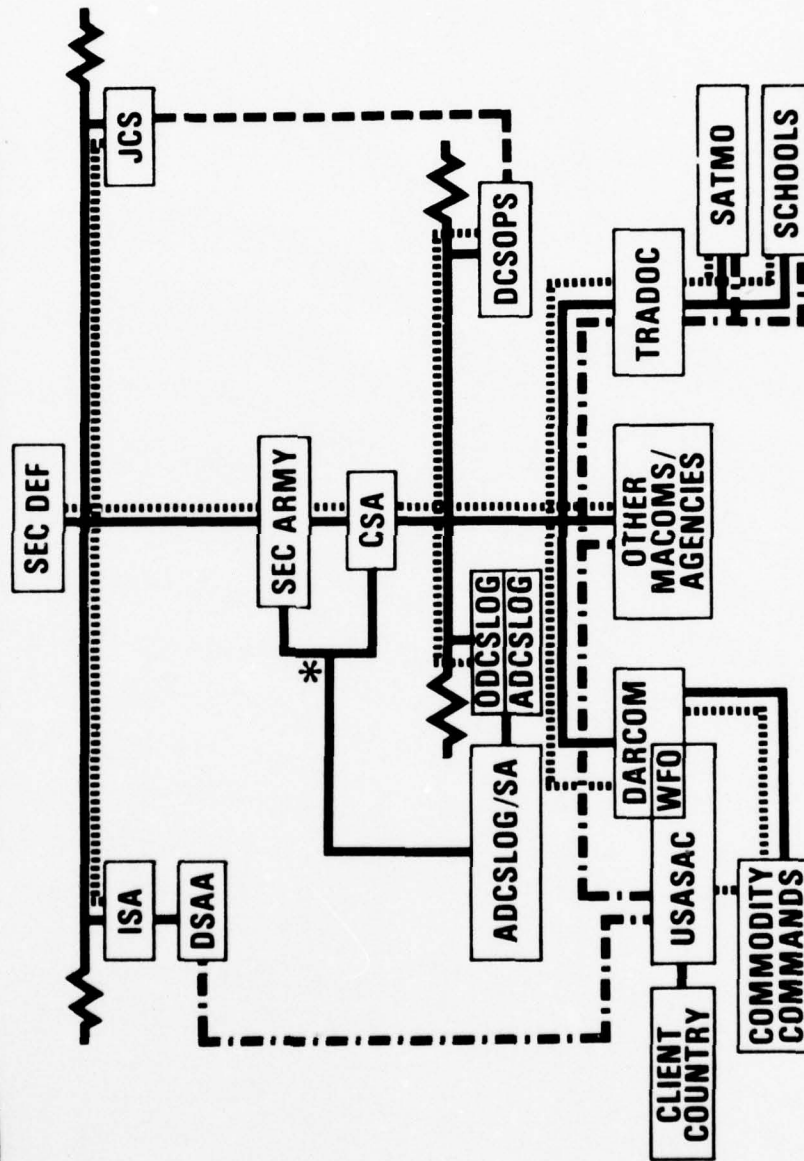
Advantages

- Pinpoints responsibility for program administration.
- Reduces General Officer requirements.
- Reduces staff involvement in non-mission impacting actions.
- Maintains training responsibility with TRADOC.

Disadvantages

TASAPS-77

# SECURITY ASSISTANCE COORDINATING OFFICE ASSIGNED TO DCSLOG



JOINT ACTIONS --- OPERATIONAL --- POLICY ..... \*AS REQUIRED



ANNEX M

DEPARTMENT OF THE ARMY  
OFFICE OF THE CHIEF OF STAFF  
WASHINGTON, D.C. 20310

DACS-DC

14 September 1977

MEMORANDUM FOR DIRECTOR OF MANAGEMENT

SUBJECT: Security Assistance Organization for the Army

1. The Army Security Assistance Program Study (TASAPS - 77) Group presented recommendations relative to an optimum security assistance organizational structure to the DARCOM Commander and key members of the Army Staff on 25 August 1977. Subsequent to additional staffing of proposed organizational structure with the staff, DARCOM and TRADOC the Vice Chief of Staff, Army has approved the attached organization (Incl 1) and recommendations (Incl 2) for reorganization of Army Security Assistance organization and procedures.
2. Implementing plans and directives to the Army Staff and MACOMS should be developed as soon as possible, with effective data no later than 1 November 1977. Plans and directives should include clear delineation of authority, policy roles, functions, space allocations, and responsibilities by staff agency and MACOMS and be coordinated with the appropriate agency/MACOMS.
3. On 28 September 1977, the TASAPS Group is scheduled to give a decision briefing to the Vice Chief of Staff, Army on the remainder of the study which includes organizational interfaces of security assistance activities and required management info/data. Decisions resulting from the briefing will be added to or integrated with approved recommendations at Incl 2.

DACS-DC

SUBJECT: Security Assistance Organization for the Army

4. You are authorized to detail the required personnel from the TASAPS Study Group and the appropriate staff agencies to assist in the proper accomplishment of this task.

/s/John R. McGiffert

2 Incl  
as

JOHN R. McGIFFERT  
Lieutenant General, GS  
Director of the Army Staff

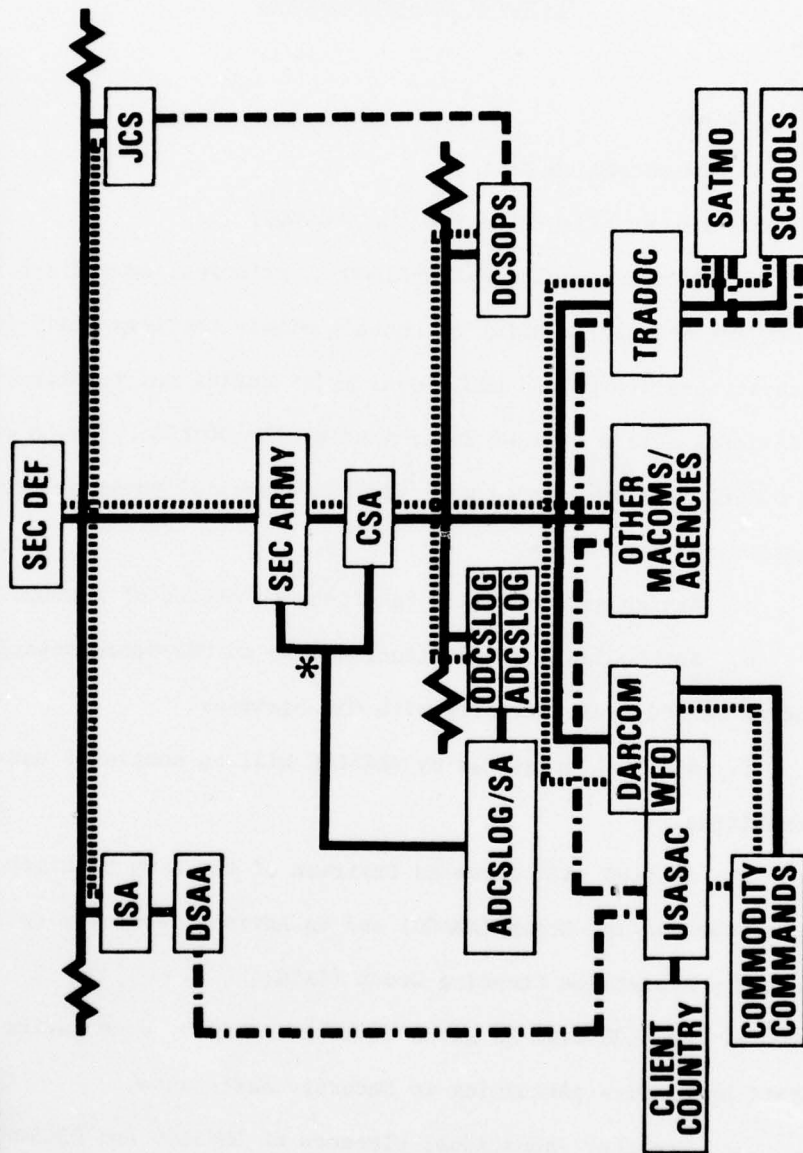
CF: DCSOPS  
DCSRDA  
DCSLOG  
CASA

M-16-2



TASAPS - 77

# SECURITY ASSISTANCE COORDINATING OFFICE ASSIGNED TO DCSLOG



APPROVED RECOMMENDATIONS

1. DA STAFF

- a. Disestablish CASA.
- b. Disestablish Director IL, ODCSLOG.
- c. Organize additional ADCSLOG as principal Army Staff representative and single point of contact within the Army Staff for security assistance and additional major duties not related to SA. Additional duties will be determined by the DCSLOG. The SA office in ODCSLOG will be manned with minimum essential personnel to perform the SA mission.
- d. Assign selected CASA functions to office of ADCSLOG.
- e. ADCSLOG authorized direct access to USA/Secretariat/VCSA and as DA POC deals directly with OSD agencies.
- f. ASA(RDA) briefings by ADCSLOG will be continued and formalized.
- g. ADCSLOG will serve as Chairman of the Army Security Assistance Coordinating Group (ASACG) and as Advisor/Secretary to the Security Assistance Steering Group (SASG).
- h. ADCSLOG will be given tasking authority over entire DA Staff on matters pertaining to Security Assistance.
- i. Transfer operational elements of ODCSLOG and ODCSOPS to MACOMS.

j. Retain policy formulation/authority/responsibility at HQDA. This will be defined and established by subsequent DA staff action to implement approved ASA reorganization.

2. DARCOM

a. Designated as Executive Agent for administration and execution (less training) of Security Assistance program.

b. Coordinate training associated with sales of materiel in accordance with DARCOM/TRADOC memorandum of understanding.

c. Redesignate USAILCOM as USASAC, (US Army Security Assistance Center).

d. Interface directly with DSAA for program execution and administration as defined in the Executive Agency Authority.

e. Interface with foreign customers in definition and execution of approved programs (less training).

f. Maintain Army Security Assistance Master Program Data Record and act as office of record for financial trust fund obligation authority (OA).

g. Provide program administrative services to other MACOMS/agencies.

3. TRADOC

a. Provided authority for execution of Security Assistance training programs.

b. Coordinate materiel associated with sales of training in accordance with DARCOM/TRADOC memorandum of understanding.

c. Interface with foreign customer in definition and execution of approved training programs.

d. Augment USASAC with cell of training specialties for total package coordination and integration of training and materiel cases.

e. Input all required data to USASAC for inclusion in the Army Security Assistance Master Program Data Record.

f. Responsible for administration, definition and execution of all MTT's, TAFTS, and TAT's, and training support.

4. OTHER MACOMS/AGENCIES

a. Provide materiel/services/support as tasked by DARCOM/TRADOC.

b. Input all required data to USASAC for inclusion in the Army Security Assistance Master Program Data Record.





ANNEX N

DEPARTMENT OF THE ARMY HQDA Ltr 380-77-4  
OFFICE OF THE ADJUTANT GENERAL AND THE ADJUTANT GENERAL CENTER  
WASHINGTON, D.C. 20314

DACS-DMS (M) (31 October 1977)

31 October 1977

Expires 31 October 1978

SUBJECT: Security Assistance Management Reorganization

SEE DISTRIBUTION

1. REFERENCE. HQDA Ltr 380-77-2, dated 4 April 1977, subject: Army Security Assistance Program Study (TASAPS 77).

2. PURPOSE. This letter outlines the plan for implementing the approved Army security assistance management reorganization and functional realignments resulting from referenced study.

3. BACKGROUND. An ad hoc study group under the Director of Management, Office Chief of Staff, Army (OCSA), examined as one of its missions, the Army's management control and organizational effectiveness in the conduct of security assistance programs. Approved study recommendations relative to the management structure and a plan for accomplishing the necessary management actions to implement them are contained herein. Other study recommendations will be published separately at a later date.

4. ORGANIZATIONAL CONCEPT AND RELATIONSHIPS.

a. The Vice Chief of Staff, Army (VCSA) approved a new organizational structure and relationships for the Army security assistance program with the following significant features:

(1) Army Staff.

(a) Army Staff security assistance responsibilities will focus on overall security assistance policy development and promulgation and development of Army input into security assistance programs. Operational aspects of the security assistance program, including management of Foreign Military Sales (FMS) cases and Military Assistance Program orders (MAP)/International Military Education and Training (IMET), will be removed from the Army Staff and assigned to MACOMs.

(b) The Coordinator for Army Security Assistance (CASA), OCSA, and the ODCSLOG Directorate for International Logistics will be disestablished effective 1 November 1977.



N-16-1



SUBJECT: Security Assistance Management Reorganization

(c) A new Assistant Deputy Chief of Staff for Logistics (ADCSLOG) and a Security Assistance Policy Coordinating Office (SAPCO) will be established within ODCSLOG effective 1 November 1977. The new ADCSLOG, in addition to his other duties, will act as principal Army Staff spokesman and Army Staff focal point relative to security assistance, interacting with the VCSA, the Army Secretariat, Office, Secretary of Defense (OSD), and other Military Departments, agencies, commands and activities on security assistance matters as appropriate.

(d) Army Staff agencies will be responsible for the formulation and promulgation of policy and overall program guidance, in coordination with the ADCSLOG, within their functional areas of responsibility, and for keeping the ADCSLOG informed of significant security assistance matters within their purview.

(2) DARCOM.

(a) The DA Executive Agent for the management of FMS cases and MAP/IMET is Commander, DARCOM.

(b) To perform the above function, the DARCOM Commander will redesignate the US Army International Logistics Command (USAILCOM) as the US Army Security Assistance Center (USASAC) effective 1 November 1977.

(c) The USASAC will interface with the Defense Security Assistance Agency (DSAA) and foreign clients relative to the security assistance program management as will be defined in the executive agency authority.

(d) The USASAC will coordinate FMS and MAP requirements which cross functional responsibilities of non-DARCOM commands, agencies and activities.

(e) The USASAC will provide information relative to program operations to the ADCSLOG and Army Staff agencies in their functional areas as required in the fulfillment of their responsibilities.

(3) TRADOC.

(a) The responsibility for preparing and executing FMS training cases and executing MAP/IMET training programs is vested with Commander, TRADOC.

(b) To coordinate security assistance training activities, TRADOC will augment USASAC in Alexandria, Virginia with a cell of training specialists consisting of no more than five personnel for total package coordination and integration of training and materiel cases.

DACS-DMS (M) (31 October 1977)

31 October 1977

SUBJECT: Security Assistance Management Reorganization

(c) Is responsible for preparing and executing FMS/NET cases/lines for Mobile Training Teams (MTTs), Technical Assistance Teams (TATs), Field Service Teams (FSTs), and Technical Assistance Field Teams (TAFTs).

(d) In the discharge of the above, TRADOC is authorized to interface directly with overseas security assistance elements and foreign clients.

(4) Other MACOMs. All other MACOMs and field activities are responsible for taking actions, in coordination with USASAC (TRADOC for training), to support program commitments which fall within their assigned functional responsibilities.

b. The Army security assistance organizational structure and relationships are displayed graphically at inclosure 1.

c. Approved major Army Staff/MACOMs security assistance functions and responsibilities resulting from the Army security assistance reorganization are further defined at inclosure 2.

d. Reallocation of spaces resulting from this reorganization are shown at inclosure 3.

e. Army Staff agencies, MACOMs, and field activities currently assigned Army security assistance functions which are not affected by this letter will continue to perform those functions.

##### 5. ADMINISTRATION.

a. The effective date of the Army security assistance reorganization is 1 Nov 77; however, changes to current procedures, other than the new ADCSLOG being the Army Staff spokesman/focal point, will not take place until 15 Nov 77. Prior to 15 Nov 77, the new ADCSLOG will publish interim procedures relative to the executive agency authority that will be used until the executive agency charter is published. These procedures will be consistent with the parameters outlined in this letter and will become effective 15 Nov 77.

b. Implementing actions for the Army Staff, MACOMs, and field activities concerning the security assistance reorganization are at inclosure 4. Implementing actions will follow the approved organizational and functional realignments outlined in this letter.

c. The ADCSLOG will maintain the implementation plan, coordinate action taken in accordance with this letter, and advise the VCSA of the status of actions.

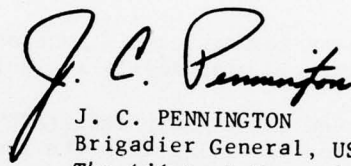
d. Army Staff agencies, MACOMs, and field activities with designated taskings at inclosure 4 will:

SUBJECT: Security Assistance Management Reorganization

- (1) Accomplish required actions.
- (2) Inform ADCSLOG by 10 November 1977 of expected completion dates for each implementing action.
- (3) Assist other commands/Army Staff agencies as required.
- (4) Provide quarterly reports to the ADCSLOG on the status of milestone actions and completion dates. First report will be submitted NLT 10 January 1978.

BY ORDER OF THE SECRETARY OF THE ARMY:

- 4 Incl  
1. Org Chart  
2. Scty Asst Functions  
3. Reallocation of Scty Asst  
Spaces  
4. Taskings

  
J. C. PENNINGTON  
Brigadier General, USA  
The Adjutant General

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US ARMY MATERIEL DEVELOPMENT AND READINESS COMMAND  
US ARMY INTELLIGENCE AND SECURITY COMMAND  
US ARMY COMMUNICATIONS COMMAND  
MILITARY TRAFFIC MANAGEMENT COMMAND  
US ARMY HEALTH SERVICES COMMAND  
US ARMY FORCES COMMAND  
US ARMY TRAINING AND DOCTRINE COMMAND  
US ARMY, JAPAN  
EIGHTH US ARMY



DACS-DMS (M) (31 October 1977)

31 October 1977

SUBJECT: Security Assistance Management Reorganization

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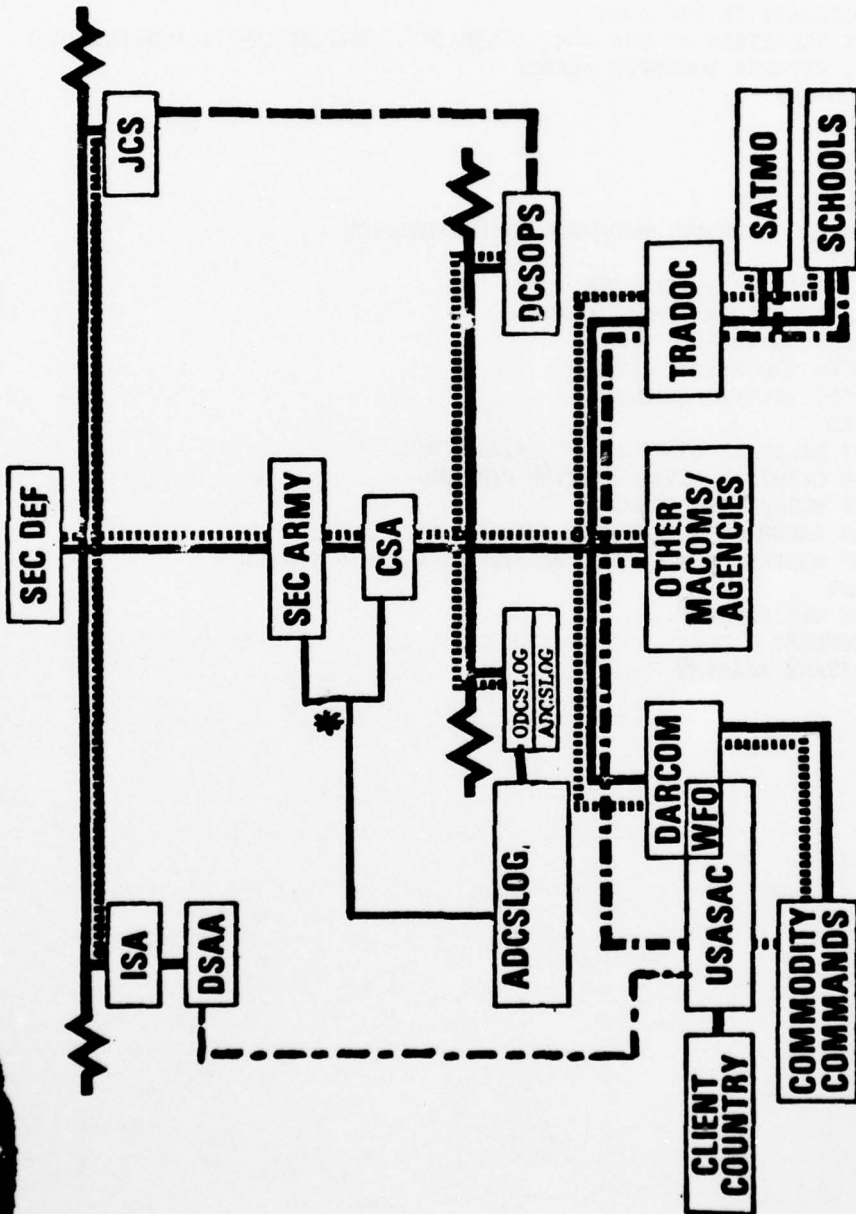
SUPERINTENDENT

US MILITARY ACADEMY

# SECURITY ASSISTANCE COORDINATING OFFICE ASSIGNED TO DCSLOG



INCL 1



JOINT ACTIONS ——— OPERATIONS - - - POLICY ..... \* AS REQUIRED

MAJOR ARMY STAFF/MACOMs SECURITY ASSISTANCE FUNCTIONS AND RESPONSIBILITIES  
RESULTING FROM SECURITY ASSISTANCE REORGANIZATION

1. Army Staff.

a. ADCSLOG.

(1) Acts as the principal Army Staff representative and focal point on the Army Staff for security assistance matters.

(2) Has direct access to and interacts with the VCSA, the Under Secretary of the Army (USA), other members of the Army Secretariat, OSD, and other Military Departments, agencies, commands and activities relative to security assistance matters. Keeps VCSA, USA and the Army Secretariat apprised of significant security assistance activities.

(3) Coordinates the development of all security assistance policy (less Joint Actions), including Army regulations and documents applicable to security assistance.

(4) Coordinates the development of sales parameters/policies within which field agencies may act upon FMS requests. Sales parameters/policies will require DARCOM as the security assistance executive agency to seek guidance and approval of the Army Staff prior to taking action on the requests when any of the following results:

(a) Submission of a military assessment of potential FMS sales required by higher authority.

(b) Diversion/withdrawal of materiel.

(c) Interference with planned use of training base.

(d) Interference with planned use of production base.

(e) Release of technology not covered by existing sales parameters.

(f) Significant commitments of Department of Army personnel.

(g) Conflict with National Disclosure Policy (NDP).

(5) Coordinates the development of sales parameters/policies within which agencies may act upon commercial sales (commercial export license).

(6) Has Chief of Staff tasking authority over all Army Staff agencies, MACOMs, and field activities on matters pertaining to security assistance.

(7) Acts as Chairman, Army Security Assistance Coordinating Group (ASACG) and as advisor/secretary of the Security Assistance Steering Group (SASG). Serves as Army representative to the Middle East Task Group (METG). Conducts routine briefings to USA, ASA(RDA), VCSA, and presents policy issues and recommendations to other groups as appropriate.

(8) Serves as a member of the Program Guidance and Review Committee (PGRC), the Budget Review Committee (BRC), and the Select Committee (SELCOM) when these committees consider matters related to security assistance.

(9) Serves as a member of the Army Staff Council for security assistance matters.

(10) In accordance with Comptroller of the Army, formulates, reviews and manages the execution of the MAP supply operations and FMS Administrative Fee budgets.

(11) The DCSLOG will assign duties and responsibilities other than those pertaining to security assistance to the new ADCSLOG. Such responsibilities will be supported by existing DCSLOG resources.

b. DCSOPS.

(1) Staffs all Joint actions to include security assistance planning systems (including planning, programming and budgeting system).

(2) In coordination with ADCSLOG, formulates security assistance policy issues falling within assigned functional responsibilities which originate through other than Joint channels.

c. Comptroller of the Army (COA). In coordination with ADCSLOG, develops and promulgates financial management, accounting, budgeting and reporting policies and procedures for security assistance matters.

d. The Surgeon General.

(1) In coordination with ADCSLOG, formulates security assistance policy falling within the functional responsibilities of the Army Medical Department (AMEDD).

(2) Coordinates with TRADOC for the development and execution of FMS training sales cases and MAP/IMET which involve use of AMEDD resources.

(3) Executes materiel FMS cases and MAP in accordance with security assistance program management procedures established by USASAC.



e. The Adjutant General. Prepares TAG FMS publications cases, executes those cases and MAP in accordance with security assistance program management procedures established by USASAC.

f. Chief of Engineers.

(1) Coordinates activities which fall within Chief of Engineers purview under the FMS program with USASAC.

(2) Interfaces with OSD for activities performed under the Engineer Assistance Agreement.

g. Other Army Staff Agencies. In coordination with ADCSLOG, formulates security assistance policy falling within assigned functional responsibilities.

2. MACOMs.

a. DARCOM.

(1) Acts as the DA Executive Agent in implementing, administering, and managing the Army's FMS cases and MAP/IMET effective 1 November 1977 as will be defined in the executive agency authority.

(2) Interfaces with DSAA, other military departments, other US Governmental agencies, private industry and representatives of foreign governments and international organizations on matters relating to the implementation, administration and management of the Army's FMS cases and MAP.

(3) Requests guidance from the Army Staff on policy matters requiring resolution which arise during implementation, administration, and management of the FMS cases and MAP.

(4) Coordinates total package concept for FMS and MAP requirements which cross functional responsibilities of other CONUS MACOMs and field activities and tasks as appropriate to fulfill approved program commitments.

(5) Coordinates security assistance taskings with US Army oversea commands, to include US Army Security Assistance Agency, Latin America (USASAALA), when resources of those commands are being considered to meet materiel and logistical services requirements.

(6) Maintains Army security assistance Master Program Data Record.

(7) Acts as office of record for financial trust fund obligation authority for other than the Corps of Engineer cases.

(8) Establishes program management procedures and provides program services to other MACOMs/agencies.

(9) Develops and refines a security assistance manpower accounting and reporting system (current and budget year) within the framework of manpower allocation policies and procedures.

(10) Supports and provides the ADCSLOG with information and data relative to program operations required for keeping the Army Secretariat and VCSA apprised of significant security assistance matters.

(11) Assumes responsibility from CASA for processing commercial sales (commercial export licenses).

(12) Responds to TRADOC when DARCOM training resources are required for FMS and MAP/IMET training.

(13) Performs review and analysis on the security assistance program (less training) and provides performance data to other agencies/activities as required.

b. TRADOC.

(1) Prepares FMS training cases and executes FMS/IMET training cases, to include training lines in materiel cases, in accordance with security assistance program management procedures established by USASAC.

(2) Tasks other lateral US Army CONUS commands, as required, for Foreign Military Training (FMT) requirements and coordinates security assistance taskings with US Army overseas commands, to include USASAALA, when resources of those commands are being considered to meet FMT requirements.

(3) Interfaces with other military departments, DSAA, overseas security assistance elements, and representatives of foreign governments on matters of definition of requirements and execution of security assistance training.

(4) Prepares and executes FMS cases MAP/IMET lines for MTTs, TATs, FSTs and TAFITs.

(5) Supervises the Army's portion of the DOD informational program within CONUS.

(6) Publishes the security assistance education and training handbook.

(7) Performs review and analysis on the foreign military training program and provides performance data to other agencies/activities as required.

c. US Army Communications Command (USACC).

(1) Responds to TRADOC when USACC training resources are considered for use to meet FMS and MAP/IMET requirements.

(2) Prepares FMS cases and executes approved FMS cases and MAP falling within assigned functional responsibilities in accordance with security assistance program management procedures established by USASAC.

d. Eighth US Army, USAREUR, USARPJ, and USASAALA.

(1) Responds to USASAC when Eighth US Army, USAREUR, USARPJ and USASAALA materiel resources are considered to meet FMS and MAP requirements.

(2) Responds to TRADOC when Eighth US Army, USAREUR, USARPJ, and USASAALA training resources are considered for use to meet FMS and MAP/IMET requirements.

(3) Executes approved security assistance programs in accordance with program management procedures established by USASAC.

e. Other MACOMs and Field Activities. Support program commitments which fall within assigned functional responsibilities in response to USASAC (TRADOC for training) direction.

## Reallocation of Security Assistance Spaces

1. In order to accomplish realignment of security assistance functions as outlined in inclosure 2, the reallocation of spaces as shown below will be used for development of new TDA's. Based on assigned functions and the accumulation of workload data, additional spaces may be justified. These requests will be handled through normal staff/command channels. Possible space savings may result from the realignment. Agencies responsible for management/manpower surveys will specifically address this possibility during their next survey of these organizations.
2. Civilian personnel actions associated with the reorganization will be processed in strict accordance with statutory law and regulations of the US Civil Service Commission and the Department of Army.
3. Army Staff/MACOMs will insure that due consideration is given to those individuals directly involved in the reorganization and that maximum assistance is provided to personnel adversely effected. Civilian personnel officers will be included in all planning and implementing phases and will assist agency/commands in establishing a civilian workforce posture. In addition to being compatible with mission requirements, the workforce posture should also protect the rights and entitlements of civilian employees as established by law and regulations.

### SPACE REALLOCATION

FROM	TO		
	ADCSLOG	USASAC	HQ TRADOC
CASA	4	2	3
DCSLOG-IL	20	22	10
DCSOPS	-	-	4
USAILCOM	-	568*	2
HQ TRADOC (includes SATMO)	-	-	30*
TOTALS	24	592	49**

\*Currently authorized.

\*\*No more than five (5) to be located at USASAC, Alexandria, VA



## TASKINGS

TASKINGS	RESPONSIBLE AGENCY/MACOM	COORDINATING AGENCY/MACOM	IMPLEMENTING ACTIONS
1. Disestablish IL Directorate in ODCSLOG and establish a new ADCSLOG and a Security Assistant Policy Coordinating Office (SAPCO) effective 1 Nov 77.	ODCSLOG	MD, OCSA;	<ol style="list-style-type: none"> <li>1. Submit to MD, OCSA a new TDA and new organizational chart reflecting organizational, functional, and manpower changes.</li> <li>2. In coordination with MILPERCEN and Army Staff CPD, transfer and document change of personnel.</li> <li>3. Submit to MD, OCSA appropriate changes to AR 10-5 and CSR 10 series.</li> </ol>
2. Disestablish CASA effective 1 Nov 77 and transfer functions and spaces.	MD, OCSA	MILPERCEN; Army Staff CPD	<ol style="list-style-type: none"> <li>1. Publish General Order disestablishing CASA effective 1 Nov 77.</li> <li>2. Transfer spaces according to inclosure 3.</li> </ol>
3. Revise and, as appropriate, consolidate security assistance regulations to reflect the approved Army security assistance organizational and functional realignment.	ODCSLOG	Army Staff MACOMs TAGO	<ol style="list-style-type: none"> <li>1. Revise draft AR 12-1 and DA Memo 5-9 and publish.</li> <li>2. Identify all Army regulations and publications impacting on security assistance and in coordination with the proponents in these regulations, establish a milestone chart for revising and publishing these documents.</li> </ol>

TASKINGS	RESPONSIBLE AGENCY/NACOM	COORDINATING AGENCY/MACOM	IMPLEMENTING ACTIONS
4. Transfer Army security assistance spaces according to inclosure 3.	ODCSOPS; ODCSLOG; DARCOM; TRADOC	MILPERCEN; Army Staff CPD; MD, OCSA; MACOM CPD	<p>FOR ARMY STAFF CHANGES</p> <p>1. Submit to MD, OCSA a new TDA and organizational chart reflecting organizational, functional, and manpower changes.</p> <p>2. In coordination with MILPERCEN and Army Staff CPD, transfer and document change of personnel.</p> <p>3. Submit to MD, OCSA, changes to AF 10-5 and CSR 10 series.</p> <p>FOR MACOM CHANGES</p> <p>1. Submit to ODCSOPS a new TDA and organizational chart to reflect organizational, functional, and manpower changes.</p> <p>2. In coordination with MILPERCEN and MACOM CPD, transfer and document changes of personnel.</p> <p>3. Update MACOM regulations to reflect new organizations and functions.</p>
5. Redesignate US Army International Logistic Command (USAILCOM) to US Army Security Assistance Center (USASAC).	DARCOM	ODCSOPS	<p>1. Publish General Order disestablishing USAILCOM and establishing USASAC effective 1 Nov 77.</p>
		Appropriate Army Staff agencies and MACOM's	

TASKINGS	RESPONSIBLE AGENCY/MACOM	COORDINATING AGENCY/MACOM	IMPLEMENTING ACTIONS
6. Prepare, staff, and publish an AR which constitutes an executive agency charter. Publish interim guidance NLT 15 Nov. Initial draft of both interim guidance and AR will be prepared by representatives from ADCSLOG and DARCOM. DAS will approve both documents.	ADCSLOG	Army Staff; DARCOM; TRADOC	1. Publish charter in form of AR which formulates broad policy parameters within which USASAC will operate.  2. Until such time as the executive agency charter is established, publish interim procedures relative to the executive agency authority.
7. Locate small training cell at USASAC to coordinate security activities.	TRADOC	ODCSOPS; USASAC; MILPERCEN; MACOM CPD	1. In coordination with MILPERCEN or MACOM CPD, transfer and document changes of personnel.  2. Submit to ODCSOPS appropriate supporting documents.
8. Locate a representative at USASAC to coordinate Army security assistance activities falling within US Army Communications Command (USACC) assigned functional responsibilities.	USACC	ODCSOPS; USASAC; MILPERCEN MACOM CPD	1. In coordination with MILPERCEN or MACOM CPD, transfer and document change of personnel.  2. Submit to ODCSOPS appropriate supporting documents.
9. Develop a Technical Assistance Field Team (TAFT) management capability.	TRADOC	DCSOPS; ADCSLOG; MILPERCEN; DARCOM	
10. Revise the USASAALA Executive Agency Charter (AR 10-51) to reflect appropriate interfacing with DARCOM as the Army's single Executive Agency for security assistance.	ODCSOPS	Appropriate Army Staff and MACOMs	1. Prepare and staff AR which constitutes Executive Agency Charter for USASAALA.

TASKINGS	RESPONSIBLE AGENCY/MACOM	COORDINATING AGENCY/MACOM	IMPLEMENTING ACTIONS
11. Prepare a DARCOM/ TRADOC Memorandum of Understanding.	DARCOM	TRADOC	1. Prepare a memo of understanding (MOU) which clearly defines implementa- tion of the security assistance pro- gram management.

N-16-16

END  
1 - 78